

# BUILDING RESILIENCE CREATING OPPORTUNITIES



| FINANCIAL STATEMENTS 2020 |



**NBP**

National Bank of Pakistan

نیشنل بینک آف پاکستان

# Chairman's Review

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## Rebuilding National Institutions

Dear Shareholders,

Your Bank has recorded strong and impressive results for 2020 with net income up by 93% to PKR 30.6 bn from PKR 15.8 bn in 2019. This was after creating additional provisions for another PKR 30.9 bn in the year. Operating expenses were also tightly managed and, in fact, showed a decline of about 4%. These are all positive indicators of performance. However, our restructuring program still has some way to go.

Safeguarding and rebuilding national institutions is a challenging task. Your Board, appointed almost two years ago, has worked hard to achieve this for NBP. Our efforts and strategy have been focussed upon strengthening the institutions balance sheet, inducting a team of professionals with the required expertise, developing a framework of policies and controls to protect the Bank, and building a corporate culture based on performance and accountability. Material progress has been made in each of these key areas.

However, poor governance has adversely affected this institution over many years, and in a demanding environment, allowed it to weaken. Over the last 25 years there has only been an independent Chairman for about 6 years thus compromising effective oversight. Furthermore, in the last 10 years, there have been 6 Presidents and 3 Acting Presidents and such discontinuity undermines leadership. This Board has thus had to focus on a major rebuilding of your Bank.

To this end, we have continued to retain earnings and over 2019 and 2020 these retained earnings amount to PKR 46.4 bn. This has, of course, meant no dividend payouts but it has been essential to protect your Bank and thus your investment. Over and above this, after identifying and dimensioning the problems facing your Bank, we have created provisions and contingencies for a total of PKR 54.0 bn over the same period to cover potential portfolio losses, significant HR related exposures and operational vulnerabilities. Although some material threats remain, such as those involving our pensions case, our balance sheet has thus been reinforced considerably by about PKR 100 bn.

In this Covid 19 dominated period, your Board has worked on looking after the health and wellbeing of staff and customers while steadfastly continuing the process of reform so past problems do not recur. Specifically, to lead the restructuring process, a strong team of talented seniors have been inducted to head Risk, Compliance, Audit and Operations. These additions supplemented the heads of HR, and Legal who were brought in during the prior year. HR, in particular, which has led the reform process, has not only built up a solid second string, but led the development and upgrading of key policies in Performance Management and Compensation, as well as in addressing some major long standing employee litigation. Additionally, standards have been raised significantly relating to Recruitment and Promotions with the objective of emphasising merit. The latter is under implementation now with about 7,000 employees going through written tests or panel interviews stipulated to determine their eligibility. These steps will play a vital role in enhancing the corporate culture of the Bank.

However, government support is essential for the repealing of 1973 Staff Service Rules under which many employees have misused the statutory facility of direct access to the High Courts. Currently we face over 6,000 petitioners, many in frivolous cases, brought against the Bank by current and ex-employees. The laws allow the board to issue fresh policies/rules but we await repeal of the old rules in order to take that next step.

In the area of managing risk, after many years, credit approval structures have been materially changed driven by attention to expertise and controls. Improved policies, the introduction of independent senior credit officers and an enhanced role for independent risk in exposure approvals, should better protect the portfolio of the Bank. The leadership of Audit, Compliance and Operations has been significantly strengthened and issues relating to account reconciliations, data cleansing and frauds are receiving greater attention but much work remains to be done here, and technology platforms have to be updated to enable subsequent effective management.

Our International franchise covering 21 jurisdictions needs much attention. It is a small part of the institution's assets and revenues but has a disproportionate share of issues to address. Legacy problems resulting from a lack of strategy and management assignments that were not merit based, leave us exposed to regulatory risks. Our critical US franchise has thus been managed directly by the President through a qualified and experienced external hire. Seven other franchises are under various stages of closure and a number of others are under consideration for the same. In the face of these multiple challenges, we have not succeeded in attracting high calibre leadership to cover the full range of these operations that face compliance and portfolio problems. Our aim here is to manage down risks while retaining key franchises.

The whole area of technology has also posed material risks including those related to cyber security. The Bank has to be automated and digitised to be able to meet the regulatory, reporting and customer challenges of today. However, outdated infrastructure and software are major hindrances and the inability to on board oversight expertise, whether at the board or committee levels, continues to slow down our progress in this regard in the face of ongoing external investigations of past technology related implementations.

The heart of an institution like ours is its domestic network of 1,500 branches. Its structure of 37 regions means that there are about 40 branches for each region to supervise and support. This is not only inefficient but leaves us open to risks of frauds. Our new Retail Head will look to revamp this network to enhance supervision and customer service.

On the balance sheet side our capital discipline has improved our Common Equity Tier 1 capital ratio to 14.99% (2019:12.11%) and Total Capital Adequacy Ratio to 19.78% (2019:15.48%) at the end 2020. This capital position enables the Bank to absorb shocks in the foreseeable future and leverage emerging opportunities to create value for its shareholders. It is pertinent to mention that your Bank is subject to a drag of about PKR 5 bn p.a. due to non-payment of mark up by public sector entities. Our strong results despite this indicate the potential of your Bank.

As we work to make the Nation's Bank more resilient, we look forward to continuing support from our key partners, the foremost of which is the Government of Pakistan and the State Bank of Pakistan, our primary regulator.

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.

The year 2020 has tested us in many ways, and I am happy to say we have responded very well. I would like to thank our executive management team and the 15,000 plus colleagues for remaining committing to helping the Nation's Bank through these uncertain times.

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.

Thank you for your ongoing support and your patience as we build an institution of which you can be proud.



**Zubyn Soomro**

Chairman

Date: February 24, 2021

Karachi

# Directors' Report to the Shareholders

## Dear Shareholders,

On behalf of the Board of Directors "the Board", we have pleasure in presenting to you the Annual Report of the Bank together with the Audited Financial Statements for the year ended December 31, 2020 and the Independent Auditors' Report thereon. The accompanying financial statements, prepared by the management of the Bank, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.

## Macroeconomic Environment

The Bank's performance was greatly influenced by the economic environment. As covered at length in the CEO's review, the economic environment in 2020 was challenging as Pakistan economy was hit, first by the macro imbalances, and second, by the Covid-19 pandemic. The negative impact was fairly managed as the Government and State Bank of Pakistan introduced an array of stimulus measures. These included, inter alia, a fiscal relief package worth PKR 1.2 trillion; 625 bps cut in the policy rate from 13.25% to 7.0%; reduction in the capital conservation buffer for banks by 100 bps, etc. As a result, Pakistan's economy is showing signs of recovery with visible improvements in key macroeconomic indicators e.g. surplus current account balance, higher forex reserves, increased flow of remittances, exports and large scale manufacturing. Following a 0.4% contraction during FY '20, the State Bank of Pakistan estimates Pakistan's GDP will grow at around 2% for FY '21.

Despite pressures on interest margins and reduced business activity in the economy, the banking sector has stood reasonably resilient during these challenging times. Asset quality has emerged a key concern as banking sector NPLs rose to 9.2% of total loans at end 2020.

## Principal Activities

We are one of Pakistan's leading commercial banks operating predominantly in Pakistan with branches in Europe, North America and Asia. Principal activities of the Bank include general branch banking services, consumer finance, corporate & investment banking, treasury and capital markets, transaction banking, cash management, digital banking, international trade & remittances, etc. The Bank's subsidiaries offer banking services, currency exchange, modarba, fund management and securities brokerage services.

## Our Response to Covid-19

The Covid-19 pandemic outbreak posed health and financial risks on our workforce and tested the resilience & strength of the Bank's operations, its financial soundness as well as the financial security of our customers and the community. During these challenging times, the Board stood with the management

in framing responses to emerging risks related to e.g. (i) Employee Health & Safety; (ii) Customer Welfare; (iii) Operational Resilience; (iv) Financial Soundness of the Bank; and (v) effective AML/CTF/KCY monitoring, etc.

As the Covid-19 situation continues to evolve, your Board and the Management are actively monitoring the situation and adapting responses required to build resilience of the Bank, while creating opportunities for the Bank's customers and the communities it serves.

## Performance During the Financial Year-2020

Despite a challenging environment, the Bank delivered strong financial results for the year 2020. This demonstrates the resilience of our business model, our agility and the efforts of our senior management and workforce.

## Profitability

KPI (PKR 'Bn)	2020	2019	Better/(Worse)	
			Amount	%
Total income	140.2	108.1	32.1	29.7%
Operating expenses	63.1	65.9	2.7	4.2%
Profit before provisions	77.1	42.3	34.9	82.5%
Provisions	30.9	14.3	(16.6)	(116.8%)
Profit before tax	46.2	28.0	18.2	65.1%
Profit after tax	30.6	15.8	14.7	93.3%

The Bank recorded the highest ever after tax profit in its history. For the year under review, gross mark-up/interest income closed 7.7% higher YoY at PKR 257.81 billion "bn" (2019:PKR 239.48 bn); whereas the interest/mark-up expense amounted to PKR 153.66 bn, of which PKR 103.38 bn or 67.3% was paid to depositors. Accordingly, net interest/mark-up income "NII" was PKR 104.16 bn, 44.8% higher YoY. Despite limited economic activity during the year, the Bank succeeded in maintaining its non-mark-up / interest earning "NFI" stream that closed at PKR 36.08 bn (2019:PKR 36.20 bn)., Accordingly, total revenue of the Bank closed 29.7% up YoY at PKR 140.23 bn (2019: PKR 108.11 bn). As operating & other expenses dropped by 4.2% down YoY by closing at PKR 63.11 bn, the cost-to-income ratio improved from 60.9% in 2019 to 45.0% in 2020.

Profit before provision was 82.5% up at PKR 77.1 bn (2019:PKR 42.25 bn). However, this increase was significantly off-set by a similar trend in provisions that increased 116.8% YoY to PKR 30.90 bn as the Bank experienced a 15.2% increase in the non-performing loans (NPLs) at PKR 171.29 bn (2019:PKR 148.75 bn).

Accordingly, profit before tax was 65.1% higher YoY at PKR 46.22 bn (2019: PKR 28.00 bn); and profit after tax stood 93.3% higher YoY by closing at PKR 30.56 bn (2019: PKR 15.81 bn). This translates into Return on Average Assets and Return on Equity of 1.0% (2019:0.5%) and 17.2% (2019:10.2%), respectively.



## Balance Sheet & Capital Strength

KPI (PKR 'Bn)	2020	2019	Better/(Worse)	
			Amount	%
Investments	1,463.4	1,449.6	13.8	1.0%
Advances	983.3	1,008.1	(24.9)	(2.5%)
Total Assets	3,008.5	3,124.4	(115.9)	(3.7%)
Deposits and other accounts	2,419.0	2,198.0	220.9	10.1%
Borrowings	138.5	471.8	(333.2)	(70.6%)
Net Assets	267.6	232.6	34.9	15.0%

The Bank's end of year total assets closed at PKR 3,008.53 bn which is 3.7% down from PKR 3,124.39 bn at end 2019. This drop is mainly driven by a reduction of PKR 333.22 bn in the money market borrowings in line with our prudent funding & liquidity strategy. Capital & reserve closed at PKR 267.6 billion i.e. PKR 34.9 billion or 15.0% up from PKR 232.6 billion on December 31, 2019.

The Bank's financial soundness also improved significantly during the year 2020. While Common Equity Tier 1 (CET1) Capital ratio improved to 14.99% (2019:12.11%), the Total Capital Ratio also improved at 19.78% (2019:15.48%). Similarly, the Bank's Leverage ratio was 4.06% at end 2020 (2019:3.36%). The Bank's liquidity and net stable funding ratios improved to 180% (2019:148%) and 256% (2019:233%), respectively against regulatory requirements of 100%. On a positive note, the Bank's CASA ratio also improved to 83.8% (2019:81.8%).

Detailed coverage of the financial performance and other organisational development is also given elsewhere in the Annual Report.

## Appropriation of Profit

The Board is fully aware and conscious of the impact of Covid-19 on our shareholders, many of whom look forward to receiving dividends. We assure you all that our dividend payout decisions purely reflect the economic environment, regulatory guidelines and financial soundness of the Bank. A stronger balance sheet and capital position mean your Bank is well placed to deliver better and sustainable results over the long-term. As a principle, the Board will not lose sight of the actions to be taken to achieve healthy and sustainable returns for our shareholders.

The Board deliberated at length whether or not cash dividend should be recommended. However, given the potential impact of the pension case and other contingencies, despite some positive signals, there remain causes for concern. Accordingly, it is considered prudent to retain the profits. Thus, the Board does not recommend any dividend for the year 2020.

For the year 2020, after carryover of accumulated profit of 2019, and profits appropriated to reserves and movement in reserves have been disclosed in the Statement of Changes in Equity. The same is summarised as follows:

	(PKR 'Million)
Profit after tax for the year ended December 31, 2020	30,558.9
Unappropriated profit brought forward	88,785.9
Other comprehensive income - net of tax	(497.9)
Transfer from surplus on revaluation of fixed assets	230.4
Profit available for appropriation	<b>119,077.3</b>

Appropriation:

Transfer to Statutory Reserve	(3,055.9)
Unappropriated profit carried forward	<b>116,021.4</b>

## Principal Risks & Uncertainties Facing the Bank

The Bank is exposed to internal and external principal risks & uncertainties. Principal risks include (i) Credit Risk; (ii) Treasury and Capital Risk; (iii) Market Risk; (iv) Operational Risk and (v) Information Security Risk.

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. The Board ensures that adequate policies and frameworks are in place to recognize all significant/material risks to which the Bank is / may be exposed to and that the required human resource, culture, practices, and systems are adequate to address such risks. The Board and its relevant committee i.e. Board Risk & Compliance Committee and the senior management along with its relevant committees i.e. Enterprise Risk Management Committee, Assets & Liability Committee, etc. are responsible to ensure formulation and implementation of a comprehensive risk management framework through its committees.

The Bank is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the pandemic outbreak. Further, with respect to information security risk management arising as a result of Covid-19, the Bank took appropriate actions to monitor and respond to these evolving cybersecurity risks due to work from home environment, increase in business volumes on bank's digital channels and products and adopted a heightened state of cybersecurity.

A detailed indication of the principal risks and uncertainties as well as the future prospects is discussed in Note No. 47 to the financial statements.

## The Board, Board Committees and Board Meetings

Following information is, inter alia, provided in the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations:

- Names of the persons who, at any time during the financial year, were Directors of the Bank; and
- Detail of the meetings of the Board and its Committees attended by each Director.

Explanation in regard to modification in the Auditors Report In their report, the external Auditors have included Emphasis of Matter by drawing attention to Note 25.3.3.1 to the financial statements which explains the contingency in relation to litigation by retired employees of the Bank for pension benefits.

Based on the advice of the legal counsels, the Bank has a reasonably strong legal grounds to convince the Honourable Supreme Court for reviewing its earlier judgement. Therefore, pending the decision on the review petitions, financial impact of the subject case has not been included in the financial statements for the year ended December 31, 2020. For details, please refer to the said note.

## Material changes subsequent to the Balance Sheet Date

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

## Closure of foreign Subsidiaries and Branches

In line with our revised strategy on international franchises, the Board has approved closure of two (02) overseas subsidiaries being (i) Almaty-Kazakhstan), and (ii) Dushanbe-Tajikistan along with three (03) overseas branches being in (i) Baku-Azerbaijan, (ii) Bishkek-Turkmenistan, and (iii) Ashgabat-Turkmenistan. Further, the Board has also approved the management's recommendations more towards consolidating the Bank's operations in Afghanistan and Bangladesh to be limited to branches in the capital city Kabul and Dhaka, respectively.

## Internal Control & Compliance

To our regulators both in Pakistan and around the world, we send the message that the Board is prioritising building best standards of governance across the range of our markets and activities, so they fully meet your expectations. The Bank remains committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good

governance, and recognises the need to improve its compliance & control capacity within its domestic network. A revamping of the network structure is under implementation to strengthen the supervision of its 1500+ branches. To this end, we have given strategic directions to invest in new technological platforms for effective AML/KYC screening, data accuracy and authenticity, internal controls over the financial reporting, data cleansing and generating timely & quality MIS for efficient decision making.

Significant attention is being given by the Board to improving account reconciliation, data cleansing and building a culture of meritocracy & accountability. Additionally, priority is being accorded to the major task of upgrading the Core Banking Application. At the Board level, there is a need for greater expertise in technology to facilitate effective oversight. This has been highlighted to the government and an appropriate nomination made over six months ago but it remains un-responded. While significant talent at senior levels has been attracted into the Bank, outdated Staff Service Rules enable staff to file whimsical suits directly at the High Court levels and this results in the Bank facing a large number of nuisance suits that distract the management from pursuing necessary reforms. While a performance driven culture is being inculcated, its effectiveness is diluted by the same Staff Service Rules prevalence. To help the Bank reach its true potential, the government's assistance is needed to repeal and update these outdated Service Rules.

The international franchise of the Bank is being strategically streamlined to facilitate an enhanced level of compliance. To this end, work is underway to consolidate the Bank's international footprint and decision on the closure of certain branches is already being implemented.

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 the allocation of adequate resources to ensure full compliance with such requirements. The Bank has undertaken significant personnel, systems and process changes in its New York operations to address the identified regulatory weaknesses and ensures senior attention at Board Committee and Board levels, but a historically weak compliance culture will take time to change effectively and meanwhile the Bank remains vulnerable.

## Credit Ratings

NBP is rated as 'AAA' by both the recognised credit rating agencies in Pakistan. In June 2020, M/s VIS Credit Rating Company re-affirmed the Bank's standalone credit rating as "AAA", the highest credit rating awarded by the company for a bank in Pakistan. Similarly, M/s PACRA Credit Rating Company also assigned the Bank long-term entity rating as 'AAA' (Triple-A) and short-term credit rating as 'A1+' (A-one Plus).

## Appointment of Auditors

The existing auditors of the Bank M/s Yousuf Adil Chartered Accountants and M/s Grant Thornton Anjum Rahman Chartered Accountants will be retiring this year. The Board is pleased to endorse the recommendation of the Board Audit Committee for appointment of M/s PwC A. F. Ferguson & Co, Chartered Accountants and reappointment of M/s Yousuf Adil Chartered Accountants as external auditors of the Bank for the year ending December 31, 2021 on existing remuneration subject to approval by shareholders in the 72nd Annual General Meeting to be held on March 29, 2021.

## Impact of the Bank's Business on the Environment

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

## Endorsement

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

- Statement of Internal Controls
- Pattern of holding of the shares
- CSR Report

## Future Outlook

After a soft end to 2020 and a difficult start in 2021, the global economic recovery is projected to gain momentum in the coming year supported by the coronavirus vaccine rollout. Economic momentum in Pakistan is also expected to improve but remain below the pre-outbreak levels. Pakistan's economy is expected to return to modest growth of 1.5% to 2.0% in fiscal 2021 after activity picked up at the start of the fiscal year in July.

In this environment, private-sector lending is expected to grow modestly, by 5%-7% over the year. While policy responses are expected to soften the blow dealt to businesses by the pandemic outbreak, these may not fully offset its effects. Asset risk is projected to show a rising trend as the economic slowdown takes its toll on borrowers' repayment capabilities. Loan repayment deferral and other support measures will contain the deterioration, but will not eliminate the risks entirely.

Your Board is framing the post-crisis strategy on how the Bank will continue to play its systemically important role in the economy and serving its customers, while also maintaining a strong & resilient balance sheet to deliver performance for shareholders. For the year 2021 & beyond, the Bank's business strategy will continue to focus on financing and supporting underserved sectors including SME, Microfinance, Agriculture Finance and low cost housing on a priority basis.

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. Building a digital banking capability and a technology platform will remain the central part of this strategy as will the inculcation of a performance driven culture within the institution.

## Acknowledgement & Appreciation

We would like to take this opportunity to appreciate and acknowledge the Government of Pakistan, the State Bank of Pakistan, the SECP and other regulatory bodies for their continued support, and shareholders 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.

We would also like to thank our present teammates and the retiring teammates Mr. Muhammad Naeem and Mr. Zafar Masud for their contributions on the Board towards making the Bank resilient and capable of creating inclusive growth opportunities for the Nation.

For and on behalf of the Board of Directors



**Arif Usmani**  
President & CEO  
Karachi  
Date: February 24, 2021



**Zubyr Soomro**  
Chairman



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

**Grant Thornton Anjum Rahman**  
Chartered Accountants  
1<sup>st</sup> & 3<sup>rd</sup> Floor, Modern 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, 2020 in accordance with the requirements of Regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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, 2020.

  
Chartered Accountants

  
Chartered Accountants

**Place:** Karachi  
**Date:** February 25, 2021



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

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

Year ending: **December 31, 2020**

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

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

a. Male: 07

b. Female: 01

2. The composition of Board is as follow:

The Board of Directors of the Bank are appointed as per the provisions of the Banks (Nationalization) Act, 1974. The President / CEO is the only Executive Director. The remaining Board consists of two non-executive directors and five independent directors, including one independent director representing minority shareholders as required by the Code. At year-ended December 31, 2020, the Board comprised of the following directors:

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

3. The Federal Government appointed Mr. Asif Jooma in place of Mr. Muhammad Naeem on March 9, 2020 as Director on the Board of the Bank vide GOP, Finance Division, Notification No. F-1(11) Bkg-III-2017-362 dated March 9, 2020;

4. During the year Mr. Farid Malik completed his tenure on May 15, 2020 and was re-elected as Director on July 27, 2020 representing Private Shareholders and Minority interest in terms of Section 11 (b) of The Banks (Nationalization) Act, 1974 and in accordance with the Section 159 (1) of the Companies Act, 2017;

5. During the year, Mr. Zafar Masud tendered resignation with immediate effect from the Board of National Bank of Pakistan, as he was in the process of accepting the role of President / CEO of Bank of Punjab;

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

7. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;
8. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;
9. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 as well as these regulations;
10. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
11. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the SBP BPRD Circular No. 3 dated August 17, 2019, Companies Act, 2017 and the Regulations.
12. Majority of the Directors have already undergone the training.
13. The Board had approved appointment of Chief Financial Officer and Company Secretary including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. The Board Audit Committee in its 219th meeting held on December 22, 2020 as required in terms of BPRD Circular No. 02 of 2019 dated April 3, 2019 had approved the appointment of Mr. Hassan Umair Wasti as Chief Internal Auditor;
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:

#### i. Board Audit Committee (BAC)

S.No.	Names of Director	Status
1	Mr. Tawfiq A. Hussain	Acting Chairman
2	Mr. Muhammad Sohail Rajput	Member
3	Mr. Asif Jooma	Member

#### ii. Board HR & Remuneration Committee (BHRRC)

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

#### iii. Board Risk & Compliance Committee (BRCC)

S.No.	Names of Director	Status
1	Mr. Tawfiq A. Hussain	Chairman
2	Mr. Arif Usmani	Member
3	Mr. Farid Malik	Member
4	Mr. Imam Bakhsh Baloch	Member

#### iv. Board Technology & Digitalization Committee (BTDC)

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

**v. Board International Franchises and Remittance Committee (BIFRC)**

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

**vi. Board Inclusive Development Committee (BIDC)**

S.No.	Names of Director	Status
1	Ms. Sadaffe Abid	Chairperson
2	Mr. Arif Usmani	Member
3	Mr. Muhammad Sohail Rajput	Member
4	Mr. Imam Bakhsh Baloch	Member

**vii. NBP – NY Governance Council (Sub-Committee of BIFRC)**

S.No.	Names of Director	Status
1	Mr. Tawfiq A. Hussain	Chairman
2	Mr. Arif Usmani	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 committees were as per following:

S.No.	Name of Committee	No. of Meeting held during the year
i	Board Audit Committee (BAC)	08
ii	Board HR & Remuneration Committee (BHRR)	09
iii	Board Risk & Compliance Committee (BRCC)	07
iv	Board Technology & Digitalization Committee (BTDC)	09
v	Board Inclusive Development Committee (BIDC)	07
vi	Board International Franchises and Remittance Committee (BIFRC)	05
vii	NBP – NY Governance Council (Sub-Committee of BIFRC)	03

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

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

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

21. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

**Arif Usmani**  
President & CEO

**Zubyr Soomro**  
Chairman

Dated: February 24, 2021  
Place: Karachi

# Shariah Board's Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

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

In the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the NBP Aitemaad Islamic Banking as of December 31, 2020.

## 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

The management in order to ensure zero tolerance on Shariah non-compliance instances has introduced an exclusive key performance indicating point in the staff appraisal system.

### 3. Shariah Compliance Mechanism

Alhamdulillah, NBP-Aitemaad Islamic Banking already had a comprehensive Shariah Compliance Policy. This year, SCD enhanced the checklist based on their field functionaries' experiences. Further in order to assess staffs' basic level of Islamic Banking & Finance understanding, SCD has developed a set of test papers.

### 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. Shariah Compliance review and Internal Shariah Audit of financing transactions were conducted. In addition, other revenue generating sources including investments and treasury transactions were also reviewed.



During the Shariah Review of financing portfolio, no non-Shariah compliant transaction was discovered. Therefore, there was no charity declared this year. However, previous year's charity amounting to PKR 11,000,000/- (Eleven Million Rupees) was disbursed to charitable institutions. During this year, Rupees seven hundred ten thousand five hundred and thirty nine rupees (\*PKR 710,539) was collected on account of late payments and deposited in the Charity account.

#### Charity Fund – 2020

#### Rupees in '000

Opening Balance	10,911
Received from customers on account of delayed payment	710
Payments / utilization during the period	11,000
Closing Balance	621

#### 5. Profit and Loss Distribution and Pool Management

NBP Aitemaad Islamic Banking has a dedicated Pool Management Wing with apposite human resource in place ensuring adherence to the guidelines provided by SBP and the Shariah Board. Along with the Pool Management Wing, SCD reviews the monthly pool management and profit distribution working. Internal Shariah audit of pool management was also conducted on quarterly basis. All these layers of control has improvised the working and distribution of the Bank.

#### 6. Staff understanding of Islamic Banking and Finance

Alhamdulillah, the Bank imparted Islamic Banking & Finance training sessions to abreast the staff with Islamic Banking basic concepts, products and customer services where five hundred and twenty three (523) staff attended 23 sessions during this year.

The Bank in co-ordination with SCD, has arranged 5 customer awareness sessions in different regions as part of its Islamic Banking promotion initiatives.

Maintaining the commitment toward continuous learning, enhancing the skills and competence required to fulfill the responsibilities, the Bank nominated Head of Shariah Compliance Department for 4 weeks long "Shariah Scholar Capacity Building Course" conducted by National Institute of Banking & Finance. Alhamdulillah, he stood 1st among eighteen (18) other participants from the industry. In addition to this, two Shariah Compliance Officers qualified as 'Certified Shariah Advisor and Auditor' (CSAA), a certification of international repute awarded by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI-Bahrain).

The bank has developed a portal "ask Shariah" to address customer and staff queries. This provides a platform for on job training to the staff that supports them on their 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 137 deposit branches during the calendar year. Besides this, the SCD team has also reviewed the entire treasury transactions and financing portfolio during the year. They also reviewed the different marketing campaign and market activities to ensure strict adherence to Shariah guidelines.

## 2. Branch Expansion

Alhamdulillah, NBP Aitemaad Islamic Banking has opened 02 branches in KPK region during the year 2020 in the rural and less served areas of MirAli, North Waziristan and Karak in accordance with SBP's Branch Licensing Policy objective of enhancing the outreach of banking facilities with specific focus on rural and underserved areas of the country. Now, the branch network of NBP Aitemaad Islamic Banking branch stands at 191.

## 3. Product Development

Alhamdulillah, in 2020, NBP Aitemaad Islamic Banking has launched Digital Banking (Mobile Application), Merchant Account and enhanced Debit Card features through promotional discounts and increased ATM users. In addition, NBP Aitemaad has now a good range of products as it is offering Thirteen (13) Deposit products and Seven (07) financing products for its valued Customers.

## 4. Asset Review

NBP Aitemaad's overall earning assets have increased by 21.7% amounting to PKR 80.40 billion as compared to PKR 66.09 billion of previous year. Islamic Financing increased by 11.9% to PKR 38.15 billion maintaining AIBG Finance to Deposit Ratio around 51%. Investments including Bai Muajjal stand at PKR 42.25 billion as compared to PKR 32 billion last year.

## 5. Liability Review

Aitemaad total deposits have shown a healthy increase by around 18.9% to PKR 75.27 billion as on 31 December, 2020 as compared to PKR 63.28 billion last year.

## 6. Summary of Shariah Board Meetings Conducted During 2020

SB had held four (04) meetings during the year. Major approvals are summarized as follows:

- a. Aitemaad Policies, Procedures & Systems Manuals
  - I. Shariah Compliance Policy - Revised
  - II. Aitemaad Deposit Products Manual - Revised
  - III. Aitemaad Call Deposit Receipt Manual
  - IV. Aitemaad Housing product Manual - Revised
  - V. Mobile Banking Application Product Manual
  - VI. Approval Regarding Automation of Pool Management System
  - VII. Approval of ADAMS system of Treasury
  - VIII. Approval of Naya Pakistan Low Cost Housing Guarantee Structure
  - IX. Approval of Naya Pakistan Low Cost Housing Shariah Structure
  - X. Approval of Roshan Digital Product Program
- b. Shariah Researches conducted by SCD scholars under the supervision of Shariah Board
  - I. Shariah Ruling on Collective Late Fee payment and the possible alternatives
  - II. Avenues of Charity Fund prevailing in Islamic Banks

## Recommendations:

We recommend the Bank on the following matters:

1. The Bank has automated the Pool Management System with respect to Liability side earlier in first quarter of 2020. However, the asset side still needs to be automated.

2. To implement;

- a. The Shariah compliant Staff Financing facilities for NBP Staff and make it available to the bank's staff. It is a matter of satisfaction for the Shariah Board that Bank's Board of Directors has approved the Shariah Compliant Staff Financing policy earlier this year.
- b. Inclusion of a comprehensive Islamic banking training policy that must include entry and advance level specialized training courses for all staff across the Bank.

واللہ سبحانہ و تعالیٰ اعلم  
ربنا لا تؤاخذنا ان نسينا او اخطانا ج ربنا ولا تحمل علينا اصر ا كما حملته على الذين من قبلنا ج ربنا ولا تحملنا ما لا طاقة  
لنا به واعف عنا و قفه و اغفر لنا و قفه و ارحمنا و قفه انت مولنا فانصرنا على القوم الكافرين .

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

**Mufti Muhammad 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

# 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 internal control system comprises of various inter-related components including the Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. The management and the employees at all levels within the Bank are required to perform as per these approved internal controls 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 under a changing environment. There are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure, circumvention and overriding of control. Accordingly, even an effective internal control system can provide reasonable but not absolute assurance against any material misstatement. The Bank remains cognizant of its responsibility to continuously improve and with this view continues to strengthen its system of internal control on an on-going basis.

SBP vide its BSD Circular No. 7 dated 27 May, 2004 has issued guidelines on the internal control for all Banks / DFIs 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 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"). Long Form report on the assessment of Bank's ICFR for the year 2019 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

Besides the monitoring of the implementation of internal control system at management level, 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 set up under Compliance Group to monitor compliance with key regulations at branches as well as Head Office functions along with testing of agreed controls related to ICFR.

For the year 2020, 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 have been taken by the management (by respective groups and tracking at management Level Forums), Board Sub-Committees and Board of Directors for rectification of such observations and their non-recurrence.

Based 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 endorsed the management's evaluation of internal controls including ICFR in the attached Director's report.

**Abdul Wahid Sethi**  
Chief Financial Officer

**Nauman Riaz**  
Chief Compliance Officer

**Umair Wasti**  
Chief Internal Auditor



## **NOTICE OF 72<sup>nd</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that 72<sup>nd</sup> Annual General Meeting (“AGM”) of National Bank of Pakistan (the “Bank”) will be held on **Monday, March 29, 2021 at 10:30 A.M. (PST) through electronic means (Zoom).**

The following business will be transacted in the Meeting:

### **Ordinary Business:**

1. To confirm minutes of the Extraordinary General Meeting (EOGM) of Shareholders held on July 27, 2020, at Karachi.
2. To receive, consider and adopt the annual audited financial statements of the Bank and consolidated accounts of the Bank and its subsidiaries for the year ended December 31, 2020, together with the Directors’ & Auditors’ Reports thereon.
3. To appoint auditors for the year ending December 31, 2021 and fix their remuneration. The Board of Directors has recommended re-appointment of Messrs. Yousuf Adil, Chartered Accountants and appointment of Messrs. PwC AF Ferguson & Co., Chartered Accountants, in place of retiring auditors Messrs. GT Anjum Rahman Chartered Accountants to be the auditors of the Bank for the year ending December 31, 2021, at the same fee as paid to the retiring auditors.

### **Special Business:**

4. To Consider and Approve Closure of Operations of Five Branches / Subsidiaries in Central Asian Republics viz., Ashgabat Branch (Turkmenistan), Baku Branch (Azerbaijan), Bishkek Branch (Kyrgyzstan), Almaty Subsidiary Bank (Kazakhstan) and Dushanbe Subsidiary Bank (Tajikistan) by way of liquidation and to delegate powers to Mr. Arif Usmani, President / CEO, NBP, to sign necessary legal / regulatory documents on behalf of the shareholders of National Bank of Pakistan.
5. To transact any other business with permission of the Chair.

By Order of the Board  
Sd/-

Karachi  
Dated: March 08, 2021

**S. M. Ali Zamin**  
**Secretary (Board)**

### **Note:**

The Share Transfer Books of the Bank shall remain closed from March 22, 2021 to March 29, 2021 (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 19, 2021 will be treated in time for the purpose of attending the meeting.

## **1. PARTICIPATION IN ANNUAL GENERAL MEETING**

In wake of the prevalent Covid-related contingency planning in the light of the relevant guidelines issued by Securities Exchange Commission of Pakistan (SECP) vide SECP Circular No. EMD/MISC/82/2012 dated March 03, 2021 **the Annual General Meeting (AGM) of the Bank will be held online to protect the wellbeing of shareholders from the current pandemic.**

The entitled members whose name appear on the Books of the Bank by close of business on March 19, 2021 will be entitled to attend the meeting.

In order to attend the AGM through electronic facility, the members are requested to get themselves registered with CDC Share Registrar Services Limited upto March 26, 2021 till 05:00 p.m. at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) and they are requested to provide the information as per below format:

<b>Company Name</b>	<b>Folio Number / CDC Account #</b>	<b>Name of the Shareholder</b>	<b>CNIC #</b>	<b>Cell #</b>	<b>E-mail Address</b>
NBP					
NBP					

The details of electronic facility will be sent to the members on the email addresses provided by them. The login facility will be opened at 10:00 A.M. on March 29, 2021 enabling the participants to join the proceedings after identification and verification process before joining the meeting which will start at 10:30 A.M. sharp.

The members can also provide their comments/suggestions/approvals for the proposed agenda items of the AGM on WhatsApp number 0321-8200864 and email [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) upto March 26, 2021 till 05:00 p.m.

## **Attending Meeting through Proxies**

- I.** All members, entitled to attend and vote at the Annual General Meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless of whether they are a member or not, as proxy.
- II.** The proxy instrument must be complete in all respects and in order to be effective should be deposited at Office of the Registrar or Office of the Secretary Board, 2<sup>nd</sup> floor, NBP Head Office, I.I Chundrigarh Road, Karachi or e-mailed to [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) not later than 48 hours before the time of holding the meeting.

- III. For attending the meeting through electronic means (Zoom), proxy form shall be submitted along with proxy holders' email address and mobile number.
- IV. If any member appoints more than one proxy for anyone meeting and more than one instrument, of the proxy are deposited with the Registrar or the Bank, all such instruments of proxy shall be rendered invalid.

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

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations shall submit the proxy form as per the requirements mentioned below:
  - a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - b) Attested copy of CNIC or the Passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- ii) In case of a legal entity, the original or duly authenticated Board of Directors' resolution or power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs. CDC Share Registrar Services Limited or to the Office of the Secretary Board, 2<sup>nd</sup> floor, NBP head Office, I.I Chundrigarh Road, Karachi or e-mailed to [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com).

(Proxy Form is available on NBP website [www.nbp.com.pk](http://www.nbp.com.pk))

- Members are requested to timely notify any change in their addresses to their respective Participants (if shares are held electronically) or to the Share Registrar of the Bank (if shares are held in physical form) M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.

**DEPOSIT/CONVERSION OF PHYSICAL SHARES INTO CDC ACCOUNTS:**

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the commission, within a period not exceeding four years from the commencement (i.e. May 31, 2017) of this Act, according to which the deadline is May 31, 2021

The shareholders having physical shareholding may open CDC Sub-account with any of the brokers or Investor Account directly with CDC to place their physical share into scrip-less form, this will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

## **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 68<sup>th</sup> 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 in the 72<sup>nd</sup> AGM of NBP's Shareholders to be held on March 29, 2021.

### **Item No. 4**

**TO CONSIDER AND APPROVE CLOSURE OF OPERATIONS OF FIVE BRANCHES / SUBSIDIARIES IN CENTRAL ASIAN REPUBLICS VIZ., ASHGABAT BRANCH (TURKMENISTAN), BAKU BRANCH (AZERBAIJAN), BISHKEK BRANCH (KYRGYZSTAN), ALMATY SUBSIDIARY BANK (KAZAKHSTAN) AND DUSHANBE SUBSIDIARY BANK (TAJIKISTAN) BY WAY OF LIQUIDATION AND TO DELEGATE POWERS TO MR. ARIF USMANI, PRESIDENT / CEO, NBP, TO SIGN NECESSARY LEGAL / REGULATORY DOCUMENTS ON BEHALF OF THE SHAREHOLDERS OF NATIONAL BANK OF PAKISTAN.**

As per SBP Governance Framework for Banks' Overseas Operations, the Bank was required to formulate jurisdiction-wise Board approved strategy plan. Thus, to meet SBP requirement, the management of NBP has reviewed the overseas operations and noticed that growth of business in the certain jurisdictions is still insignificant to the franchise. Further due to frequent devaluation of the currency of host countries, the injected capital has been eroded significantly. Based on the rationale relating to consistent declining trend of profitability, lack of sustainability and especially considering the international strict compliance regime / enhanced risk appetite, it has been decided to close certain unviable branches and subsidiaries including the five (05) branches / subsidiaries of Central Asian Republics viz: Ashgabat Branch, Turkmenistan, Baku Branch, Azerbaijan, Bishkek Branch, Kyrgyzstan, Almaty Subsidiary Bank, Kazakhstan and Dushanbe Subsidiary Bank, Tajikistan.

The SBP and MOF have already acceded to the decision of the Board for closure of international branches / subsidiaries. The Regulators of the host countries have also issued NoCs in this respect but require shareholders' approval.



As per local regulatory requirements of Central Asian Republics, permission for closure of operations falls under the purview of Shareholders. Thus to meet regulatory requirement for timely closure of operations in Central Asian Republics, the Shareholders of National Bank of Pakistan are requested to approve closure of above mentioned NBP branches / subsidiaries and to delegate the powers to Mr. Arif Usmani, President / CEO, NBP to sign the necessary legal / regulatory documents on behalf of the Shareholders as required for closure of operation at the above jurisdictions.

The Board has recommended the following resolutions to the Shareholders for approval:

**“RESOLVED THAT** as recommended by the Board in its 317<sup>th</sup> meeting held on February 24, 2021 for closure of branches / subsidiaries in Central Asian Republics viz., Ashgabat Branch (Turkmenistan), Baku Branch (Azerbaijan), Bishkek Branch (Kyrgyzstan), Almaty Subsidiary Bank (Kazakhstan) and Dushanbe Subsidiary Bank (Tajikistan), be and is hereby approved.”

**"FURTHER RESOLVED THAT** Mr. Arif Usmani, President / CEO, National Bank of Pakistan, be and is hereby authorized to sign all the necessary legal / regulatory documents on behalf of Shareholders of National Bank of Pakistan in order to complete the necessary formalities for closure of operations in overseas branches / subsidiaries.”

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

**Grant Thornton Anjum Rahman**  
Chartered Accountants  
1<sup>st</sup> & 3<sup>rd</sup> Floor, Modern Motors House,  
Beaumont Road,  
Karachi, Pakistan

## 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, 2020, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 80 branches which have been audited by us and 9 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, 2020 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.	<p><b>Provision (impairment) of loans and advances</b></p> <p>As disclosed in note 11 to the unconsolidated financial statements, gross loans and advances of the Bank were Rs. 1,160 billion against which non-performing loans and advances (NPLs) were of Rs. 171 billion. As at December 31, 2020, the Bank holds the provision of Rs. 154 billion against NPLs and Rs. 22 billion as general provision against performing loans.</p> <p>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. Further, the impact of the COVID-19 pandemic and regulatory relieves measures issued by State Bank of Pakistan (SBP) to dampen the effects of COVID-19 have been incorporated in the Bank's measurement of loans and advance portfolio. Furthermore, the Bank is required to make provision, if any, identified by the SBP.</p> <p>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, including those related to COVID-19, to determine the provision and the timing of recognition of such provision and their impact could be material to the unconsolidated financial statements.</p>	<p>For selected samples, we:</p> <ul style="list-style-type: none"> <li>Updated our understanding and evaluated design and implementation of relevant controls;</li> <li>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, compliance with Prudential Regulations and impact of measures adopted by the Bank in respect of COVID-19;</li> <li>evaluated the appropriateness of subjective evaluation made by management for performing parties;</li> <li>ensured that any provision identified by the SBP was recognized; and</li> <li>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.</li> </ul> <p>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.</p> <p>We had discussions with management to understand the Bank's assessment of the impact of COVID-19 on the Bank's portfolio of loans and advances.</p> <p>We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.</p>

S. No.	Key Audit Matters	How the matters were addressed in our audit
2.	<p><b>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</b></p> <p>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 (AFS). As per the Bank's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments 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. Furthermore, to dampen the effect of COVID-19, SBP has allowed Banks to recognize impairment loss, if any, on the valuation of listed equity shares held as AFS in a phased manner equally on quarterly basis.</p> <p>The significance of the investment amount, subjectivity involved and assumptions used in impairment, including the guidance issued by SBP due to COVID-19, make it significant to the unconsolidated financial statements. Therefore, we have considered this as a key audit matter.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation;</li> <li>checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Bank as disclosed in note 5.24(c),</li> <li>checked whether, in case of listed equity shares classified as AFS, calculation of impairment in a phased manner on a quarterly basis as per the guidance of SBP.</li> <li>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.</li> </ul>

### 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.

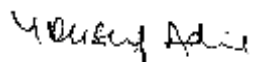
We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matter that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

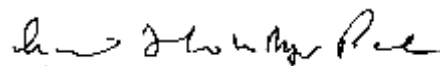
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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 Yousuf Adil and Grant Thornton Anjum Rahman respectively.

  
**Yousuf Adil**  
Chartered Accountants

  
**Grant Thornton Anjum Rahman**  
Chartered Accountants

**Place:** Karachi

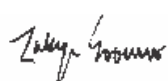
**Date:** February 25, 2021

## Unconsolidated Statement of Financial Position

As at December 31, 2020

2019 ----- (US Dollars in '000) -----	2020		Note	2020 ----- (Rupees in '000) -----	2019
<b>ASSETS</b>					
1,830,103	<b>1,559,487</b>	Cash and balances with treasury banks	7	<b>249,259,590</b>	292,513,379
82,716	<b>89,013</b>	Balances with other banks	8	<b>14,227,355</b>	13,220,807
843,248	<b>793,350</b>	Lendings to financial institutions	9	<b>126,804,675</b>	134,780,010
9,069,107	<b>9,155,714</b>	Investments	10	<b>1,463,398,076</b>	1,449,555,297
6,307,397	<b>6,151,708</b>	Advances	11	<b>983,254,527</b>	1,008,139,084
339,749	<b>340,437</b>	Fixed assets	12	<b>54,413,493</b>	54,303,565
2,346	<b>1,901</b>	Intangible assets	13	<b>303,813</b>	374,950
45,180	<b>41,729</b>	Right of use assets	14	<b>6,669,684</b>	7,221,266
1,027,817	<b>689,437</b>	Other assets	15	<b>110,195,768</b>	164,280,512
19,547,663	<b>18,822,776</b>			<b>3,008,526,981</b>	3,124,388,870
<b>LIABILITIES</b>					
124,300	<b>105,079</b>	Bills payable	16	<b>16,795,186</b>	19,867,424
2,951,538	<b>866,766</b>	Borrowings	17	<b>138,539,005</b>	471,757,352
13,752,041	<b>15,134,204</b>	Deposits and other accounts	18	<b>2,418,966,479</b>	2,198,049,281
47,801	<b>47,134</b>	Lease liability against right of use assets	19	<b>7,533,691</b>	7,640,188
68,294	<b>18,634</b>	Deferred tax liabilities	20	<b>2,978,364</b>	10,915,802
1,148,345	<b>976,983</b>	Other liabilities	21	<b>156,155,514</b>	183,544,990
18,092,319	<b>17,148,800</b>			<b>2,740,968,239</b>	2,891,775,037
1,455,344	<b>1,673,976</b>	<b>NET ASSETS</b>		<b>267,558,742</b>	232,613,833
<b>REPRESENTED BY</b>					
133,107	<b>133,107</b>	Share capital	22	<b>21,275,131</b>	21,275,131
327,268	<b>353,885</b>	Reserves	23	<b>56,562,933</b>	52,308,742
439,480	<b>461,098</b>	Surplus on revaluation of assets	24	<b>73,699,344</b>	70,244,060
555,489	<b>725,886</b>	Unappropriated profit		<b>116,021,334</b>	88,785,900
1,455,344	<b>1,673,976</b>			<b>267,558,742</b>	232,613,833
<b>CONTINGENCIES AND COMMITMENTS</b>					
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

  
Imam Bakhsh Baloch  
Director

  
Asif Joona  
Director

## For the year ended December 31, 2020

2019                      2020  
----- (US Dollars in '000) -----

1,498,284	<b>1,612,988</b>	Mark-up / return / interest earned
1,048,398	<b>961,344</b>	Mark-up / return / interest expensed
<u>449,886</u>	<b><u>651,644</u></b>	Net mark-up / return / interest income

**NON MARK-UP / INTEREST INCOME**

119,652	<b>114,203</b>	Fee and commission income
19,710	<b>11,895</b>	Dividend income
37,822	<b>25,485</b>	Foreign exchange income
13,211	<b>49,335</b>	Gain on securities - net
36,086	<b>24,796</b>	Other income
226,481	<b>225,714</b>	Total non-mark-up / interest income

Total income

### NON MARK-UP / INTEREST EXPENSES

411,082	<b>392,886</b>	Operating expenses
-	-	Workers welfare fund
927	<b>1,973</b>	Other charges
412,009	<b>394,859</b>	Total non-markup / interest expenses

264,358	<b>482,499</b>	Profit before provisions
89,156	<b>193,300</b>	Provisions and write offs - net

**PROFIT BEFORE TAXATION**

76,289	98,009	Taxation
98,913	191,190	<b>PROFIT AFTER TAXATION</b>

### PROFIT AFTER TAXATION

----- (US Dollars) -----

0.05	0.09	Basic earnings per share
0.05	0.09	Diluted earnings per share

Diluted earnings per share

**2020**                      **2019**

**Note** ----- (Rupees in '000) -----

26	257,811,015	239,477,316
27	153,655,908	167,570,039
	<u>104,155,107</u>	<u>71,907,277</u>

28	18,253,547	19,124,546
	1,901,168	3,150,298
	4,073,396	6,045,229
29	7,885,503	2,111,612
30	3,963,294	5,767,800
	36,076,908	36,199,485

140.232.015	108.106.762
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31	62,796,623	65,705,029
	-	-
32	315,307	148,091
	63.111.930	65.853.120

	<b>77,120,085</b>	42,253,642
33	<b>30,895,938</b>	14,250,275

	46.224.147	28.003.367
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34	15,665,228	12,193,556
	<u>30,558,919</u>	<u>15,809,811</u>

30.558.919	15.809.811
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----- (Rupees) -----

35	<b>14.36</b>	7.43
36	<b>14.36</b>	7.43

36	14.36	7.43
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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

  
Imam Bakhsh Baloch  
Director

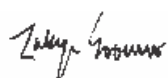
  
**Asif Jooma**  
Director

## Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2020

2019 ----- (US Dollars in '000) -----	2020		2020 ----- (Rupees in '000) -----	2019
98,914	191,190	Profit after taxation for the year	30,558,919	15,809,811
		<b>Other comprehensive income</b>		
		<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
9,093	7,497	Exchange gain on translation of net assets of foreign branches	1,198,299	1,453,359
58,708	17,781	Movement in surplus on revaluation of investments - net of tax	2,842,019	9,383,632
67,801	25,278		4,040,318	10,836,991
		<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
(12,609)	(3,116)	Remeasurement loss on defined benefit obligations - net of tax	(497,972)	(2,015,359)
3,897	3,938	Movement in surplus on revaluation of operating fixed assets - net of tax	629,407	622,871
3,072	1,340	Movement in surplus on revaluation of non-banking assets - net of tax	214,238	490,984
(5,640)	2,162		345,673	(901,504)
161,075	218,630	<b>Total comprehensive income</b>	34,944,910	25,745,298

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

  
Imam Bakhsh Baloch  
Director

  
Asif Jooma  
Director



## Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2020

	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, 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 loan loss 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
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	-	30,558,919	30,558,919
Other comprehensive income - net of tax	-	1,198,299	-	-	-	-	1,198,299	2,842,018	843,645	3,685,663	(497,972)	4,385,990
Transfer to statutory reserve	-	-	3,055,892	-	-	-	3,055,892	-	-	-	(3,055,892)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(230,379)	(230,379)	230,379	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	21,275,131	11,570,091	36,127,702	343,802	8,000,000	521,338	56,562,933	28,501,270	45,198,074	73,699,344	116,021,334	287,558,742

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

  
**Imam Baksh Baloch**  
Director

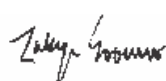
  
**Asif Jooma**  
Director

## Unconsolidated Cash Flow Statement


For the year ended December 31, 2020

2019 ----- (US Dollars in '000) -----	2020		Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
175,202	<b>289,200</b>	Profit before taxation		<b>46,224,147</b>	28,003,367
(19,710)	<b>(11,895)</b>	Less: Dividend income		<b>(1,901,168)</b>	(3,150,298)
155,492	<b>277,305</b>			<b>44,322,979</b>	24,853,069
Adjustments:					
27,351	<b>27,219</b>	Depreciation		<b>4,350,604</b>	4,371,552
2,856	<b>1,320</b>	Amortization		<b>210,961</b>	456,532
89,156	<b>193,300</b>	Provision and write-offs	33	<b>30,895,938</b>	14,250,275
(185)	<b>(67)</b>	Gain on sale of fixed assets		<b>(10,775)</b>	(29,569)
4,662	<b>4,912</b>	Finance charges on leased assets		<b>785,032</b>	745,083
69	<b>(13)</b>	Unrealized (gain) / loss on revaluation of investments classified as held-for-trading		<b>(2,074)</b>	10,996
46,897	<b>46,250</b>	Charge for defined benefit plans - net		<b>7,392,388</b>	7,495,742
170,806	<b>272,921</b>			<b>43,622,074</b>	27,300,611
326,298	<b>550,226</b>			<b>87,945,053</b>	52,153,680
(Increase) / decrease in operating assets					
(284,349)	<b>59,282</b>	Lendings to financial institutions		<b>9,475,335</b>	(45,448,677)
726,543	<b>(378,914)</b>	Held-for-trading securities		<b>(60,563,416)</b>	116,126,609
(590,543)	<b>(37,033)</b>	Advances		<b>(5,919,170)</b>	(94,389,067)
(8,139)	<b>310,664</b>	Other assets (excluding advance taxation)		<b>49,654,870</b>	(1,300,855)
(156,488)	<b>(46,001)</b>			<b>(7,352,381)</b>	(25,011,990)
Increase / (decrease) in operating liabilities					
62,085	<b>(19,221)</b>	Bills payable		<b>(3,072,238)</b>	9,923,246
479,906	<b>(1,839,289)</b>	Borrowings		<b>(293,981,639)</b>	76,705,422
1,167,859	<b>1,382,163</b>	Deposits and other accounts		<b>220,917,198</b>	186,664,080
41,808	<b>(203,421)</b>	Other liabilities		<b>(32,513,646)</b>	6,682,377
1,751,658	<b>(679,768)</b>			<b>(108,650,325)</b>	279,975,125
(4,662)	<b>(4,912)</b>	Financial charges paid	15.6	<b>(785,032)</b>	(745,083)
(73,544)	<b>(132,696)</b>	Income tax adjusted / paid		<b>(21,209,420)</b>	(11,754,887)
(10,118)	<b>(11,371)</b>	Benefits paid		<b>(1,817,492)</b>	(1,617,201)
1,833,144	<b>(324,522)</b>	Net cash flow (used in) / generated from operating activities		<b>(51,869,597)</b>	292,999,644
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
(695,627)	<b>(496,940)</b>	Net investments in available-for-sale securities		<b>(79,428,088)</b>	(111,185,087)
(915,269)	<b>817,393</b>	Net investments in held-to-maturity securities		<b>130,647,453</b>	(146,291,431)
19,710	<b>11,895</b>	Dividends received		<b>1,901,168</b>	3,150,298
(13,351)	<b>(12,307)</b>	Investments in operating fixed assets		<b>(1,967,003)</b>	(2,133,961)
344	<b>305</b>	Proceeds from sale of operating fixed assets		<b>48,771</b>	54,929
9,093	<b>7,497</b>	Effect of translation of net investment in foreign branches		<b>1,198,299</b>	1,453,359
(1,595,100)	<b>327,843</b>	Net cash flow generated from / (used in) investing activities		<b>52,400,600</b>	(254,951,893)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
(12,789)	<b>(12,766)</b>	Payments of lease obligations	37.1	<b>(2,040,384)</b>	(2,044,189)
(14)	<b>(7)</b>	Dividend paid		<b>(1,152)</b>	(2,200)
(12,803)	<b>(12,773)</b>	Net cash flow used in financing activities		<b>(2,041,536)</b>	(2,046,389)
225,241	<b>(9,452)</b>	(Decrease) / increase in cash and cash equivalents		<b>(1,510,533)</b>	36,001,362
1,424,930	<b>1,650,172</b>	Cash and cash equivalents at beginning of the year		<b>263,754,250</b>	227,752,888
1,650,171	<b>1,640,720</b>	Cash and cash equivalents at end of the year	37	<b>262,243,717</b>	263,754,250

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

  
Imam Bakhsh Baloch  
Director

  
Asif Jooma  
Director

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 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 1,514 (2019: 1,509) branches in Pakistan and 21 (2019: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans scheme.

### 1.1 Impact of COVID-19

The global outbreak of novel coronavirus (COVID 19) during early 2020 caused disruptions in normal lives and businesses in many ways. Global economy and banking systems have also been impacted significantly, both from business as well as accounting and reporting perspective. State Bank of Pakistan (SBP) responded to the crisis by cutting the Policy Rate by 625 basis points to 7.00% during the period from March 2020 to December 2020. Further, SBP relief measures included reduction in the capital conservation buffer, deferment of borrowers' principal loans payment by one year, increasing the regulatory limit on extension of credit to SMEs liquidity support as well as relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

In line with regulatory measures the Bank has aligned its policies / procedures and issued instructions. The Bank is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the COVID-19 outbreak. Further, with respect to information security risk management arising as a result of COVID-19, the Bank took appropriate actions to monitor and respond to these evolving cybersecurity risks due to work from home environment and adopted a heightened state of cybersecurity. For detailed risk assessment of the Bank, refer note 47 to these unconsolidated financial statements.

## 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. 159.8344 to 1 US Dollar has been used for 2020 and 2019 as it was the prevalent rate as on December 31, 2020.

## 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.

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

- 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 229(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.

### 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, 2020

The following standards, amendments and interpretations are effective for the year ended December 31, 2020. 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 the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IFRS 3 'Business Combinations' - Definition of a business. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform. Effective from accounting period beginning on or after January 01, 2020.

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
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 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.

### 4. BASIS OF MEASUREMENT

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

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 5.1 Cash and cash equivalents

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



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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

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

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

### 5.3 Repurchase and resale agreements

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

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

### 5.4 Derivative financial instruments

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

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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 amounts do 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,

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

- 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 Lease liability and right-of-use assets

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.

### 5.9 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 amortization 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, 2020

### 5.10 Non-banking assets acquired in satisfaction of claims

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

### 5.11 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

### 5.12 Taxation

#### 5.12.1 Current

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

#### 5.12.2 Deferred

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

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

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

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

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

### 5.13 Employee benefits

#### 5.13.1 Defined benefit plans

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

#### 5.13.2 Other employee benefits

##### Employees' compensated absences

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

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 5.14 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 amortized 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.

### 5.15 Net investment in finance lease

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

### 5.16 Foreign currencies translation

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

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

### 5.17 Provision for off balance sheet obligations

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



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 5.18 Off setting

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

### 5.19 Fiduciary assets

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

### 5.20 Dividend and other appropriations

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

### 5.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2020.

### 5.22 Bai Muajjal

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

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

### 5.23 Segment reporting

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

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

#### Business segments

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

- I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.
- II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.
- III. **Corporate and Investment Banking**; this segment offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.
- IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.
- V. **International Financial Institution and Remittance** segment includes the results of all international branches, correspondent banking business and global remittances. This represents Groups operations in 11 countries including one branch in export processing zones in Karachi.
- VI. **Aitemaad and Islamic Banking** provides shariah compliant services to customers including loans, deposits and other transactions

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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

### Geographical segments

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

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

### 5.24 Accounting estimates and judgments

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

#### a) Provision against non-performing loans and advances

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

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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.

**g) Employees' benefit plans**

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

**h) Provision against contingencies**

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

### 6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

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

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

Particulars	CJSC	CJSC				Total
	Subsidiary	Subsidiary	Baku	Bishkek	Ashgabat	
	Bank of NBP	Bank of NBP	(Azerbaijan)	(Kyrgyzstan)	(Turkmenistan)	
	in Kazakhstan	in Tajikistan				
	(Almaty)	(Dushanbe)				
	----- (Subsidiaries) -----		----- (Branches) -----			
	----- (Rupees in '000) -----					
Cost of investment - net of impairment	1,003,778	453,632	-	-	-	1,457,410
Total Assets	-	-	1,133,887	2,137,273	2,127,420	5,398,580
Total Liabilities	-	-	274,831	519,126	1,881,502	2,675,459
Profit / (Loss) for the year	-	-	(20,109)	72,612	3,034	55,537

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
Local currency		48,290,809	48,571,567
Foreign currency		6,425,017	4,565,061
		<b>54,715,826</b>	53,136,628
With State Bank of Pakistan in:			
Local currency current accounts	7.1	125,017,240	168,326,804
Foreign currency current accounts	7.2	10,209,399	9,116,381
Foreign currency deposit accounts	7.2	21,022,297	27,850,977
Foreign currency collection accounts		1,618,084	1,473,861
		<b>157,867,020</b>	206,768,023
With other central banks in:			
Foreign currency current accounts	7.3	29,581,326	25,994,672
Foreign currency deposit accounts	7.3	4,789,170	4,865,977
		<b>34,370,496</b>	30,860,649
Prize bonds		2,306,248	1,748,079
		<b>249,259,590</b>	<b>292,513,379</b>

- 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 3.5% per annum (2019: 0% to 2.17% per annum).

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan:			
In current account		-	-
In deposit accounts	8.1	11,948	5,841
		<b>11,948</b>	5,841
Outside Pakistan:			
In current accounts		8,336,597	6,476,086
In deposit accounts	8.2	5,878,810	6,738,880
		<b>14,215,407</b>	13,214,966
		<b>14,227,355</b>	<b>13,220,807</b>

- 8.1** These include various deposits with banks and carry interest at rates ranging from 2% to 8% per annum (2019: 2.5% to 11.25% per annum).
- 8.2** These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 2.5% per annum (2019: 0% to 2.17% per annum).

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	9.1	2,040,800	540,800
Repurchase agreement lendings (reverse repo)	9.2 & 9.7	124,763,875	132,180,048
Bai Muajjal receivable with State Bank of Pakistan	9.3	-	2,059,162
Letters of placement	9.4	176,150	176,150
	9.5	126,980,825	134,956,160
Less: provision held against lendings to financial institutions	9.6 & 9.8	(176,150)	(176,150)
Lendings to financial institutions - net of provision		126,804,675	134,780,010

**9.1** This includes zero rate lending to a financial institution amounting to Rs. 40.8 million (2019: Rs. 40.8 million) which is guaranteed by the SBP.

**9.2** These carry mark-up at rates ranging from 6% to 7.29% per annum (2019: 13.0% to 13.58% per annum) with maturities ranging from January 4, 2021 to January 26, 2021.

**9.3** This represents Bai Muajjal agreement entered into with SBP and carries profit rate of Nil (2019: 10.39%) per annum.

**9.4** These are overdue placements and full provision has been made against these placements as at December 31, 2020.

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>9.5 Particulars of lending</b>		
In local currency	126,980,825	134,956,160
In foreign currencies	-	-
	126,980,825	134,956,160
<b>9.6 Movement in provision held against lendings is as follows:</b>		
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

	2020			2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	91,230,121	-	91,230,121	124,080,048	-	124,080,048
Pakistan Investment Bonds	33,533,754	-	33,533,754	8,100,000	-	8,100,000
Total	124,763,875	-	124,763,875	132,180,048	-	132,180,048

**9.7.1** Market value of the securities under repurchase agreement lendings amounts to Rs. 125,094 million (2019: Rs. 132,453 million).

### 9.8 Category of classification

	2020		2019	
	Classified lending	Provision held	Classified lending	Provision held
	----- (Rupees in '000) -----			
<b>Domestic</b>				
Loss	176,150	176,150	176,150	176,150
Total	176,150	176,150	176,150	176,150

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

10. INVESTMENTS	Investments by type:	Note	2020				2019					
			Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value		
			(Rupees in '000)									
10.1												
<b>Held-for-trading securities</b>												
	Market treasury bills		96,157,306	-	3,529	96,160,835	26,911,821	-	(24,649)	26,887,172		
	Pakistan investment bonds		496,805	-	(1,455)	495,350	9,116,239	-	15,695	9,131,934		
	Ordinary shares of listed companies		-	-	-	-	75,705	-	(2,042)	73,663		
			96,654,111	-	2,074	96,656,185	36,103,765	-	(10,996)	36,092,769		
<b>Available-for-sale securities</b>												
	Pakistan investment bonds		470,136,168	-	2,776,564	472,912,732	322,248,605	-	(1,961,853)	320,286,752		
	Market treasury bills		529,397,138	-	690,816	530,087,954	593,936,881	-	967,544	594,904,425		
	Ijarah sukuk		6,000,000	-	15,600	6,015,600	2,000,000	-	(21,200)	1,978,800		
	Ordinary shares of listed companies	10.12/10.13	33,237,574	(5,568,236)	20,238,444	47,907,782	29,025,568	(5,723,164)	18,487,730	41,790,134		
	Ordinary shares of unlisted companies		1,865,982	(410,893)	-	1,455,089	2,101,182	(507,573)	-	1,593,609		
	Preference shares		1,445,308	(539,708)	194,250	1,099,850	570,214	(490,826)	-	79,388		
	Investments in mutual funds		619,646	(41,167)	1,421,691	2,000,170	619,646	(41,167)	1,324,745	1,903,224		
	Ordinary shares of a bank outside Pakistan	10.6	463,295	-	17,189,483	17,652,778	463,294	-	18,368,462	18,831,756		
	Term finance certificates / Musharika and Sukuk bonds		60,199,753	(5,196,406)	856,659	55,860,007	60,253,886	(4,942,505)	941,278	56,252,659		
	GoP foreign currency bonds		10,429,632	-	411,243	10,840,875	21,138,771	-	1,337,759	22,476,530		
	Foreign Government securities		2,795,017	-	52,159	2,847,176	3,474,324	-	17,527	3,491,851		
	Foreign currency debt securities		79,438	-	1,202	80,640	1,408,492	-	13,779	1,422,271		
			1,116,668,951	(11,756,410)	43,848,111	1,148,760,653	1,037,240,863	(11,705,235)	39,475,771	1,065,011,399		
<b>Held-to-maturity securities</b>												
	Pakistan investment bonds		168,422,981	-	-	168,422,981	184,864,103	-	-	184,864,103		
	Market treasury bills		-	-	-	-	114,091,320	-	-	114,091,320		
	Debentures, bonds, sukuk, participation term certificates and term finance certificates		414,972	(407,134)	-	7,838	416,707	(407,134)	-	9,573		
	Bai muajjal with Government of Pakistan		11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235		
	GoP foreign currency bonds		-	-	-	-	4,087,591	-	-	4,087,591		
	Foreign Government securities		32,328,738	-	-	32,328,738	29,600,343	-	-	29,600,343		
	Foreign currency debt securities		618	-	-	618	596	-	-	596		
			212,808,442	(407,134)	-	212,401,308	343,455,895	(407,134)	-	343,048,761		



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020			2019				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Associates	4,970,863	(3,821,854)	-	1,149,009	4,970,863	(3,999,416)	-	971,447
Joint Venture	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
Subsidiaries	3,906,750	(1,838,263)	-	2,068,487	3,906,750	(1,838,262)	-	2,068,488
Total investments	1,437,371,550	(17,823,660)	43,850,185	1,463,398,076	1,428,040,569	(17,950,047)	39,464,775	1,449,555,297
Investments by segments:								
Federal Government Securities								
Market Treasury Bills	625,554,444	-	694,345	626,248,789	734,940,022	-	942,895	735,882,917
Pakistan Investment Bonds	639,055,954	-	2,775,109	641,831,063	516,228,947	-	(1,946,158)	514,282,789
Bai Muajjal Government of Pakistan	11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235
Ijarah Sukuks	6,000,000	-	15,600	6,015,600	2,000,000	-	(21,200)	1,978,800
Shares	1,282,251,531	-	3,485,054	1,285,736,585	1,263,564,204	-	(1,024,463)	1,262,539,741
Listed Companies	33,237,574	(5,568,236)	20,238,444	47,907,782	29,101,273	(5,723,164)	18,485,688	41,863,797
Unlisted Companies	1,865,982	(410,893)	-	1,455,089	2,101,182	(507,573)	-	1,593,609
	35,103,556	(5,979,129)	20,238,444	49,362,871	31,202,455	(6,230,737)	18,485,688	43,457,406
Non Government Debt Securities								
Term Finance Certificates / Musharika / Bonds /								
Debentures and Sukuk Bonds								
Listed	25,822,479	(1,031,475)	279,518	25,070,522	22,471,459	(971,908)	405,860	21,905,411
Unlisted	34,792,246	(4,572,066)	577,141	30,797,321	38,199,134	(4,377,731)	535,418	34,356,821
	60,614,725	(5,603,541)	856,659	55,867,843	60,670,593	(5,349,639)	941,278	56,262,232
Foreign Securities								
GoP Foreign Currency Bonds	10,429,632	-	411,243	10,840,875	25,226,362	-	1,337,759	26,564,121
Foreign Government Securities	35,123,755	-	52,159	35,175,914	33,074,667	-	17,527	33,092,194
Foreign Currency Debt Securities	80,056	-	1,202	81,258	1,409,088	-	13,779	1,422,867
	45,633,443	-	464,604	46,098,047	59,710,117	-	1,369,065	61,079,182
Preference shares	1,445,308	(539,708)	194,250	1,099,850	570,214	(490,826)	-	79,388

Note

10.8 / 10.9

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10.12 / 10.13

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020			2019				
	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)	1,421,691	2,000,170	619,646	(41,167)	1,324,745	1,903,224
Ordinary shares of a bank outside Pakistan	463,295	-	17,189,483	17,652,778	463,294	-	18,368,462	18,831,756
Associates								
- Listed								
First Credit and Investment Bank Limited	157,429	(28,829)	-	128,600	157,429	(106,430)	-	50,999
Land Mark Spinning Mills Limited	39,710	(39,710)	-	-	39,710	(39,710)	-	-
S.G. Allied Business Limited	218,535	(218,535)	-	-	218,535	(218,535)	-	-
Nina Industries Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-
NBP Stock Fund	600,000	(121,326)	-	478,674	600,000	(156,183)	-	443,817
Agritech Limited	3,665,605	(3,123,870)	-	541,735	3,665,605	(3,217,164)	-	448,441
	4,730,339	(3,581,330)	-	1,149,009	4,730,339	(3,787,082)	-	943,257
- Unlisted								
Pakistan Emerging Venture Limited	50,563	(50,563)	-	-	50,563	(50,563)	-	-
National Fructose Company Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-
National Assets Insurance Company Limited	44,817	(44,817)	-	-	44,817	(16,627)	-	28,190
Dadabhoj Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
	240,524	(240,524)	-	-	240,524	(212,334)	-	28,190
	4,970,863	(3,821,854)	-	1,149,009	4,970,863	(3,999,416)	-	971,447
Joint Venture	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
United National Bank Limited								
Subsidiaries								
C.JSC Subsidiary Bank of NBP in Kazakhstan	2,185,644	(1,181,866)	-	1,003,778	2,185,644	(1,181,866)	-	1,003,778
C.JSC Subsidiary Bank of NBP in Tajikistan	953,783	(500,151)	-	453,632	953,783	(500,151)	-	453,632
NBP Exchange Company Limited	300,000	-	-	300,000	300,000	-	-	300,000
NBP Modaraba Management Company Limited	105,000	(105,000)	-	-	105,000	(105,000)	-	-
Taurus Securities Limited	24,725	-	-	24,725	24,725	-	-	24,725
Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
NBP Funds Management Limited	336,353	(50,000)	-	286,353	336,353	(50,000)	-	286,353
	3,906,751	(1,838,262)	-	2,068,488	3,906,750	(1,838,262)	-	2,068,488
Total investments	1,437,371,550	(17,823,660)	43,850,185	1,463,398,076	1,428,040,569	(17,950,047)	39,464,775	1,449,555,297

Note

10.6

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## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	(Rupees in '000)	
	2,300,000	4,150,000
	3,000,000	360,000,000
	5,300,000	364,150,000

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
--	------------------	-----------------------	--------------------------	-----------------------------------------	--------	-------------	---------	--------------------------------	----------------------------

(Rupees in '000)

### 10.2.1 Investments given as collateral

Pakistan Investment Bonds  
Market Treasury Bills

### 10.2.2 Associates

#### Listed

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

#### Unlisted

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

\* " - " Not available

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	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)									
<b>10.2.3 Joint Venture</b>									
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2020	2,862,573	2,821,581	317,150	31,832	31,832
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-
<b>10.2.4 Subsidiaries</b>									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2019	104,391,593	88,500,998	1,062,408	(146,159)	1,614,231
<b>10.3 Provision for diminution in value of investments</b>									
* " - " Not available									
<b>10.3.1 Particulars of provision against debt securities</b>									
<b>Category of classification</b>									
<b>Domestic</b>									
Doubtful									
Loss									
Total									

2020 2019

(Rupees in '000)

Opening balance	17,950,047	14,908,363
Charge / reversals	1,164,846	3,425,825
Charge for the year	(1,291,233)	(384,143)
Reversals for the year	(126,387)	3,041,682
Closing balance	17,823,660	17,950,047

2020		2019	
NPI	Provision	NPI	Provision

(Rupees in '000)

-	-	426,170	213,086
5,671,871	5,603,540	5,145,314	5,136,554
5,671,871	5,603,540	5,571,484	5,349,640

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>10.4 Quality of available for sale securities</b>		
Details regarding quality of available for sale securities are as follows:		
<b>Federal government securities - government guaranteed</b>		
Market treasury bills	529,397,138	593,936,881
Pakistan investment bonds	470,136,168	322,248,605
Ijarah sukuks	6,000,000	2,000,000
<b>Cost</b>	<b>1,005,533,306</b>	<b>918,185,486</b>
<b>Shares</b>		
<b>Listed companies sector - wise</b>		
Automobile Assembler	536,303	212,858
Automobile Parts and Accessories	843,923	757,309
Cable and Electrical Goods	211,166	249,604
Cement	1,882,741	2,876,794
Chemical	753,684	261,598
Commercial Banks	3,896,815	2,874,502
Engineering	855,646	670,867
Fertilizer	2,457,103	1,539,023
Food and Personal Care	1,393,503	1,359,655
Glass and Ceramics	203,855	73,016
Insurance	1,713,756	980,165
Investment Banks / Investment companies / Securities companies	508,688	341,624
Leasing Companies	21,890	21,891
Leather and Tanneries	189,470	189,470
Modarabas	120	120
Oil and Gas Exploration Companies	2,408,733	2,357,129
Oil and Gas Marketing Companies	5,954,784	5,799,864
Paper and Board	402,039	172,695
Pharmaceuticals	512,974	361,833
Power Generation and Distribution	2,988,617	2,778,748
Real Estate Investment Trust	586,526	586,526
Refinery	900,998	1,253,494
Sugar and Allied Industries	288,528	288,527
Synthetic and Rayon	91,980	91,980
Technology and Communication	960,033	993,620
Textile Composite	1,890,534	1,242,681
Textile Spinning	638,440	485,713
Textile Weaving	25,854	25,854
Transport	32,385	32,385
Vanaspati and Allied Industries	-	58,890
Woollen	-	647
Miscellaneous	86,486	86,486
	<b>33,237,574</b>	<b>29,025,568</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Unlisted companies	2020		2019	
	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	324,651
Gelcaps Pakistan Limited	4,665	8,842	4,665	9,801
Pakistan Agriculture Storage Service Corporation	5,500	1,623	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	(6,640)	6,500	N/A
Atlas Power Limited	375,000	1,328,000	375,000	1,130,503
Attock Textile Mills Limited	200	N/A	200	N/A
Bunny's Limited	-	-	235,200	140,743
Pakistan Mortgage Refinance Company Limited	600,000	770,195	600,000	608,951
F.T.C. Management Company Private Limited	250	46,998	250	36,908
Fauji Akbar Portia Marines Terminal Limited	321,076	570,680	321,076	515,937
Fauji Oil Terminals and Distribution Limited	10,886	99,059	10,886	69,747
First Women Bank Limited	21,100	71,946	21,100	71,946
Fortune Securities Limited	5,000	7,574	5,000	7,408
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	46,890	30,346	43,979
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	74,484	1,526	71,187
National Investment Trust Limited	100	830,782	100	832,931
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Unlisted companies	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Pakistan Tourism Development Corporation	100	82	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	1,322,458	132,888	1,269,793
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Industries	2	N/A	2	N/A
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A
Zulsham Engineering Works Limited	330	N/A	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Guarantee) Limited	50,000	139,362	50,000	147,332
Pakistan Corporate Restructuring Company Limited	96,000	N/A	96,000	N/A
	<b>1,865,982</b>		<b>2,101,182</b>	

\* Not available

### Debt Securities

#### Listed

- AAA
- AA+, AA, AA-
- A+, A, A-
- BBB+, BBB, BBB-
- Unrated

#### Cost

#### Unlisted

- AAA
- AA+, AA, AA-
- A+, A, A-
- Unrated

#### Cost

	2020	2019
	(Rupees in '000)	
	1,547,210	1,547,830
	13,709,811	7,739,909
	700,000	299,880
	299,820	-
	9,537,168	12,855,892
	<b>25,794,009</b>	<b>22,443,511</b>
	19,792,680	23,554,109
	1,236,000	801,000
	1,866,667	500,000
	11,510,397	12,955,266
	<b>34,405,744</b>	<b>37,810,375</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## Foreign Securities

	2020		2019	
Government Securities	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
USA	2,795,017	AA+	3,474,324	AA+

## Non Government Debt Securities - Cost

	2020	2019
	(Rupees in '000)	
<b>Listed</b>		
- A+	79,438	1,408,492

**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	168,422,981	184,864,103
Bai muajjal with Government of Pakistan	11,641,133	10,395,235
	180,064,114	309,350,658

## Debt Securities

## Listed

- AA+, AA, AA-	27,948	27,948
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## Unlisted

- Unrated	<b>387,025</b>	388,759
	<b>387,025</b>	388,759

## Foreign Securities

	2020		2019	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
<b>Government Securities</b>				
Azerbaijan	646,649	BB+	484,683	BB+
Bangladesh	27,277,984	Ba3	24,741,528	BB-
Kyrgyzstan	1,118,290	B2	1,400,585	B2
Kingdom of Saudi Arabia	2,551,243	A	2,302,368	A+
Korea	734,572	AA	671,179	AA
	<b>32,328,738</b>		<b>29,600,343</b>	

2020                      2019  
----- (Rupees in '000) -----

### Non Government Debt Securities

## Listed

- Unrated - Cost	618	596
------------------	-----	-----

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

**10.5.1** The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 218,678 million (2019: Rs. 328,496 million).

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

The Bank holds 30,333,333 (2019: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2019: 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 (2019: 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, 2020 amounted to Rs. 5.11 per share resulting in an impairment of Rs. 3,124 million (2019: Rs. 3,217 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. 1,456 million (2019: Rs. 1,014 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, 2019	59,124
Pakistan Emerging Venture Limited	June 30, 2019	283
Pakistan Mercantile Exchange Limited	June 30, 2020	13,928

	Note	2020 ----- (Rupees in '000) -----	2019 -----
<b>10.11 Investments in joint venture</b>			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.11.1	<b>2,362,433</b>	<b>2,362,433</b>

**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 (2019: 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, 2020 amounts to Rs. 9,065 million. These shares can not be sold without concurrence of privatization commission.

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Performing		Non Performing		Total	
2020	2019	2020	2019	2020	2019
(Rupees in '000)					
931,976,385	936,148,400	160,045,212	141,787,259	1,092,021,597	1,077,935,659
37,546,863	33,880,111	602,913	203,934	38,149,776	34,084,045
58,239	71,576	-	-	58,239	71,576
18,998,127	32,463,246	10,646,008	6,760,524	29,644,135	39,223,770
988,579,614	1,002,563,333	171,294,133	148,751,717	1,159,873,747	1,151,315,050
-	-	154,145,472	134,170,016	154,145,472	134,170,016
22,473,748	9,005,950	-	-	22,473,748	9,005,950
22,473,748	9,005,950	154,145,472	134,170,016	176,619,220	143,175,966
966,105,866	993,557,383	17,148,661	14,581,701	983,254,527	1,008,139,084

## 11. ADVANCES

### Note

Loans, cash credits, running finances, etc.

Islamic financing and related assets

Net investment in finance lease

Bills discounted and purchased

Advances - gross

## Provision against advances

- Specific

- General

Advances - net of provision

## 11.4

### 11.1 Net investment in finance lease

	2020			2019				
	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

Residual value

Minimum lease payments

Financial charges for future periods

Present value of minimum

lease payments

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 17.30% (2019: 10.19% to 19.46%) per annum.

### 11.2 Particulars of advances (Gross)

In local currency

## In foreign currencies

1,071,844,946	1,052,019,665
88,028,801	99,295,385
<b>1,159,873,747</b>	<b>1,151,315,050</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

11.3 Advances includes Rs. 171,294 million (2019: Rs.148,752 million) which have been placed under non-performing status as detailed below.

Category of Classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)				
<b>Domestic</b>				
Other Assets Especially Mentioned	1,617,988	45,392	1,290,081	78,430
Substandard	5,418,693	1,336,002	10,292,449	2,550,709
Doubtful	15,767,573	7,881,223	6,439,788	3,207,031
Loss	106,144,785	103,816,435	89,680,047	88,523,275
	128,949,039	113,079,052	107,702,365	94,359,445
<b>Overseas</b>				
Not past due but impaired				
Overdue by:				
>365 days	42,345,094	41,066,420	41,049,352	39,810,571
	42,345,094	41,066,420	41,049,352	39,810,571
<b>Total</b>	171,294,133	154,145,472	148,751,717	134,170,016

### 11.4 Particulars of provision against advances

Note	2020			2019		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	134,170,016	9,005,950	143,175,966	126,266,039	7,207,104	133,473,143
Exchange adjustments	1,468,169	15,535	1,483,704	3,803,802	28,732	3,832,534
Charge for the year	18,982,569	13,707,207	32,689,776	11,335,930	2,018,117	13,354,047
Reversals	(3,047,958)	(321,795)	(3,369,753)	(4,681,591)	(248,003)	(4,929,594)
	15,934,611	13,385,412	29,320,023	6,654,339	1,770,114	8,424,453
Amounts written off	(89,494)	-	(89,494)	(33,004)	-	(33,004)
Amounts charged off - agriculture financing	(193,807)	-	(193,807)	(232,480)	-	(232,480)
Transfer from other Assets	2,855,977	66,851	2,922,828	-	-	-
Amount Charged off international branches	-	-	-	(1,776,734)	-	(1,776,734)
Other movement	-	-	-	(511,946)	-	(511,946)
Closing balance	154,145,472	22,473,748	176,619,220	134,170,016	9,005,950	143,175,966

#### 11.4.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	113,079,052	22,274,089	135,353,141	94,359,445	8,550,135	102,909,580
In foreign currencies	41,066,420	199,659	41,266,079	39,810,571	455,815	40,266,386
	154,145,472	22,473,748	176,619,220	134,170,016	9,005,950	143,175,966

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

**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. 17,078 million (2019: Rs. 3,850 million) in respect of its underperforming portfolio on prudent basis.

**11.4.1.2** The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2021.

**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.

**11.4.1.4** State Bank of Pakistan ("SBP"), vide its BPRD circular letter No. 13 of 2020, has provided regulatory relief to dampen the effects of Covid-19 and allowed banks to offer deferral of principal component of installments to its borrowers for one year, provided that the borrower will continue to service the mark-up amount as per agreed terms & conditions.

During the year ended December 31, 2020, 77 borrowers having aggregate outstanding exposure of Rs. 27,395 million have availed regulatory relief extended by SBP.

		2020	2019
	Note	(Rupees in '000)	
<b>11.5 Particulars of write-offs</b>			
<b>11.5.1</b> Against provisions	11.5.2	89,494	33,004
<b>11.5.2</b> Write-offs of Rs. 500,000 and above			
- Domestic	11.6	40,260	5,957
Write-offs of below Rs. 500,000		49,234	27,047
		89,494	33,004
<b>11.6 Details of loan write-off of Rs. 500,000/- and above</b>			

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).

		2020	2019
	Note	(Rupees in '000)	
<b>12. FIXED ASSETS</b>			
Capital work-in-progress	12.1	2,154,184	2,114,172
Property and equipment	12.2	52,259,309	52,189,393
		54,413,493	54,303,565
<b>12.1 Capital work-in-progress</b>			
Civil works		2,040,456	1,999,863
Equipment		10,825	15,446
Advances to suppliers and contractors		58,733	58,372
License and implementation fee for core banking software		-	40,491
Software implementation in progress		44,170	-
		2,154,184	2,114,172



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 12.2 Property and equipment

2020										
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)										
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	
-	-	(948,528)	(729,730)	(3,974,903)	(3,967,926)	(4,548,202)	(664,637)	(165,252)	(14,999,178)	
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	
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	
-	-	3,622	45,369	798,720	272,507	516,285	195,700	-	1,832,203	
261,564	310,289	28,757	59,671	-	-	-	-	-	660,281	
-	-	-	-	(14,393)	(1,354)	(1,796)	(185,097)	-	(202,640)	
-	-	(293,375)	(172,973)	(660,371)	(247,409)	(631,469)	(360,513)	-	(2,366,110)	
-	-	-	-	11,618	1,354	1,726	149,946	-	164,644	
-	-	-	(38,834)	(764)	39,548	(21,661)	3,249	-	(18,462)	
-	-	-	(9,554)	9,554	-	-	-	-	-	
20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309	
20,370,445	19,673,159	6,498,047	4,367,094	6,505,280	4,403,125	6,230,222	1,247,328	165,253	69,459,953	
-	-	(1,241,903)	(902,703)	(4,623,656)	(4,213,981)	(5,177,945)	(875,204)	(165,252)	(17,200,644)	
20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309	
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 cost	

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

2019									
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)									
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
-	-	(662,018)	(555,859)	(3,320,728)	(3,686,363)	(3,980,964)	(432,861)	(165,252)	(12,804,045)
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
<b>Year ended December 2019</b>									
Opening net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	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)	(4,998)	(115,378)	-	(138,099)
Depreciation charge	-	-	(286,510)	(173,871)	(283,627)	(571,077)	(325,670)	-	(2,307,872)
Depreciation adjustment - disposal	-	-	-	-	12,942	3,839	93,894	-	112,739
Exchange rate adjustments	-	-	-	12,204	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	1,189,192	568,839	1	52,189,393
<b>At December 31, 2019</b>									
Cost / Revalued amount	20,108,881	19,362,870	6,465,668	4,310,442	5,712,163	4,092,424	1,233,476	165,253	67,188,571
Accumulated depreciation	-	-	(948,528)	(729,730)	(3,974,903)	(3,967,926)	(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	1,189,192	568,839	1	52,189,393
<b>Rate of depreciation (percentage)</b>									
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, 2020, land and building were revalued. The basis of revaluations were desktop valuations and were carried by RBS associates Private Limited (PBA registered valuer) independent of the bank, resulting in surplus of Rs.660 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, 2020

### 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	Purchaser name
(Rupees in '000)							
Office Equipment & Electrical Installations	50	10	10	-	As per entitlement	Ex-Employee	Muhammad Saleem Qasim
Office Equipment & Electrical Installations	50	13	13	-	As per entitlement	Ex-Employee	Amjad Pervaiz
Office Equipment & Electrical Installations	49	33	33	-	As per entitlement	Ex-Employee	Zia Ur Rashid Ibrahim
Office Equipment & Electrical Installations	155	-	-	-	As per entitlement	Ex-Employee	Nasir Hussain
Office Equipment & Electrical Installations	50	-	-	-	As per entitlement	Employee	Muhammad Naeem Ansari
Office Equipment & Electrical Installations	464	-	-	-	As per entitlement	Ex-Employee	Aamir Sattar
Office Equipment & Electrical Installations	800	-	-	-	As per entitlement	Ex-Employee	Aamir Sattar
Office Equipment & Electrical Installations	35	15	15	-	As per entitlement	Ex-Employee	Muhammad Najmuddin
Office Equipment & Electrical Installations	30	-	-	-	As per entitlement	Ex-Employee	Khadija Adnan
Office Equipment & Electrical Installations	50	-	-	-	As per entitlement	Employee	Muhammad Naeem Ansari
	<b>1,733</b>	<b>71</b>	<b>71</b>	<b>-</b>			
Computer Equipment	93	-	9	9	As per entitlement	Employee	Amber Memon
Computer Equipment	59	-	6	6	As per entitlement	Employee	Prem Kumar
Computer Equipment	87	-	9	9	As per entitlement	Ex-Employee	Faraz Haider
Computer Equipment	64	-	6	6	As per entitlement	Employee	Shahid Ali Khan
Computer Equipment	101	-	10	10	As per entitlement	Employee	Abdul Wajid
Computer Equipment	90	-	9	9	As per entitlement	Ex-Employee	Saleem
Computer Equipment	140	-	14	14	As per entitlement	Employee	Asad Saleem
Computer Equipment	99	-	10	10	As per entitlement	Ex-Employee	Syed Tariq Hasan
Computer Equipment	99	-	10	10	As per entitlement	Employee	Umar Azim Daudpota
Computer Equipment	183	-	-	-	As per entitlement	Ex-Employee	Nasir Hussain
Computer Equipment	110	-	-	-	As per entitlement	Ex-Employee	Amjad Pervaiz
Computer Equipment	140	-	14	14	As per entitlement	Employee	Muhammad Naeem Ansari
	<b>1,265</b>	<b>-</b>	<b>97</b>	<b>97</b>			

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Furniture & Fixtures	125	71	71	-	As per entitlement	Ex-Employee	Muhammad Akhtar
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Maqsood Ahmed
Furniture & Fixtures	150	31	31	-	As per entitlement	Ex-Employee	Farhat Anjum Shaikh
Furniture & Fixtures	150	35	35	-	As per entitlement	Ex-Employee	Niaz Ahmed Chatha
Furniture & Fixtures	125	25	25	-	As per entitlement	Ex-Employee	Muhammad Adnan
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Bilquees Talat
Furniture & Fixtures	125	39	39	-	As per entitlement	Ex-Employee	Sharaf Ahmed
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ashraf
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Akram
Furniture & Fixtures	125	67	67	-	As per entitlement	Ex-Employee	Naveed Akhtar
Furniture & Fixtures	125	60	60	-	As per entitlement	Ex-Employee	Muhammad Aslam Lalani
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shaheen Aijaz
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Late Mehboob Ali Abro
Furniture & Fixtures	125	17	17	-	As per entitlement	Ex-Employee	Muhammad Ilyas Bashir
Furniture & Fixtures	150	45	45	-	As per entitlement	Ex-Employee	Haji Anwar Baloch
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Tariq Mehmood Bukhari
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Rafique
Furniture & Fixtures	125	31	31	-	As per entitlement	Ex-Employee	Ghulam Akbar Chandio
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Nasir Ehsan
Furniture & Fixtures	150	78	78	-	As per entitlement	Ex-Employee	Muhammad Ejaz
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Late Mehboob Ellahi
Furniture & Fixtures	125	41	41	-	As per entitlement	Ex-Employee	Muhammad Fayyaz Qureshi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Farooq
Furniture & Fixtures	125	1	1	-	As per entitlement	Ex-Employee	Shaheen Haider
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Akhtar Hussain
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Mureed Hussain Shaikh
Furniture & Fixtures	125	63	63	-	As per entitlement	Ex-Employee	Manzoor Hussain
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Hayat
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Syed Iftikhar Hussain
Furniture & Fixtures	175	-	-	-	As per entitlement	Ex-Employee	Masood Iqbal
Furniture & Fixtures	175	70	70	-	As per entitlement	Ex-Employee	Zia Ur Rashid Ibrahim
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahid Iqbal
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ismail
Furniture & Fixtures	125	15	15	-	As per entitlement	Ex-Employee	Sajida Ishaq
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Javed Iqbal
Furniture & Fixtures	125	68	68	-	As per entitlement	Ex-Employee	Muhammad Javed
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahid Javid
Furniture & Fixtures	150	35	35	-	As per entitlement	Ex-Employee	Dilpazir Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Bashir Ahmed Khan
Furniture & Fixtures	125	58	58	-	As per entitlement	Ex-Employee	Muhammad Rasheed
Furniture & Fixtures	300	-	-	-	As per entitlement	Ex-Employee	Shafiq Ahmed Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Jamil Khan

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Furniture & Fixtures	150	50	50	-	As per entitlement	Ex-Employee	Muhammad Asghar
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Farooq Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Ali Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Late Abdul Sami
Furniture & Fixtures	150	70	70	-	As per entitlement	Ex-Employee	Khalid Mehmood
Furniture & Fixtures	150	69	69	-	As per entitlement	Ex-Employee	Hassan Ali Memon
Furniture & Fixtures	150	82	82	-	As per entitlement	Ex-Employee	Tariq Mehmood
Furniture & Fixtures	190	44	44	-	As per entitlement	Ex-Employee	Wasi Murtaza
Furniture & Fixtures	125	29	29	-	As per entitlement	Ex-Employee	Raja Sultan Mehmood
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Tariq Mahmood
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Nazia Ghulam Muhammad
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	S.M Rashid Nabi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Khurshud Agned Nishat
Furniture & Fixtures	150	16	16	-	As per entitlement	Ex-Employee	Muhammad Najamuddin
Furniture & Fixtures	175	19	19	-	As per entitlement	Ex-Employee	Amjad Pervez
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Agha Fazalullah
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Abdul Rahim Qureshi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ramzan
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Rauf
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Mian Shafiq Ur Rehman
Furniture & Fixtures	175	55	55	-	As per entitlement	Ex-Employee	Muhammad Salim Qasim
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Ch.Muhammad Shafi
Furniture & Fixtures	125	53	53	-	As per entitlement	Ex-Employee	Muhammad Shafi
Furniture & Fixtures	125	43	43	-	As per entitlement	Ex-Employee	Muhammad Sabir
Furniture & Fixtures	125	75	75	-	As per entitlement	Ex-Employee	Muhammad Saleem
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Sohail
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahzad Saleem
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Razzak Shaikh
Furniture & Fixtures	150	69	69	-	As per entitlement	Ex-Employee	Muhammad Shahid
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	M. Shamim Shakir
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Latif Solongi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Fazeel Tahir
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Usman
Furniture & Fixtures	150	21	21	-	As per entitlement	Ex-Employee	Ghulam Qadir Jam
Furniture & Fixtures	190	82	82	-	As per entitlement	Ex-Employee	Syed Ajmal Habib
Furniture & Fixtures	190	63	63	-	As per entitlement	Ex-Employee	Muhammad Saleem Adil
Furniture & Fixtures	150	34	34	-	As per entitlement	Ex-Employee	Abdul Qayum Zia
Furniture & Fixtures	175	83	83	-	As per entitlement	Ex-Employee	Arif Raza Abdy
Furniture & Fixtures	150	20	20	-	As per entitlement	Ex-Employee	Arshad Mahmood
Furniture & Fixtures	175	7	7	-	As per entitlement	Employee	Muhammad Naeem Ansari
Furniture & Fixtures	500	319	319	-	As per entitlement	Ex-Employee	Tariq Jamali
Furniture & Fixtures	150	34	34	-	As per entitlement	Ex-Employee	Abid Ali Siddiqi

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Furniture & Fixtures	160	63	63	-	As per entitlement	Ex-Employee	Bilqis Sikandar
Furniture & Fixtures	150	64	64	-	As per entitlement	Ex-Employee	Muhammad Younas
Furniture & Fixtures	300	95	95	-	As per entitlement	Employee	Imdad Hussain
Furniture & Fixtures	175	33	33	-	As per entitlement	Ex-Employee	Khadija Adnan
Furniture & Fixtures	335	131	131	-	As per entitlement	Employee	Azra Naila Uzair
Furniture & Fixtures	175	41	41	-	As per entitlement	Ex-Employee	Hafiz Muhammad Fayyaz
Furniture & Fixtures	175	22	22	-	As per entitlement	Ex-Employee	Abdul Aziz Nadeem
Furniture & Fixtures	150	5	5	-	As per entitlement	Ex-Employee	Hamid Rasool Qadri
Furniture & Fixtures	200	82	82	-	As per entitlement	Ex-Employee	Mumtaz Rafi
Furniture & Fixtures	125	57	57	-	As per entitlement	Ex-Employee	Raja Ejaz Ahmed
	14,190	2,780	2,780	-			
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Asad Saleem
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Farooq Ahmed Soomro
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Mashkooq Ahmed Khan
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmed Naseem
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Salman Talat
Motor Vehicles	1,873	468	468	-	As per entitlement	Employee	Shaukat Mahmood
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abid Kithclew
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Mubashir Ahmad
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Tariq Zafar Iqbal
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Hidayat Ali Shar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Majeed Arshad
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Syed Naveed Asghar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Muhammad Akram Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Aziz Ur Rehman
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Ehsan Tabassum
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Jamal Tariq
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Zaman Khan
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	Ovais Asad Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Hamid Raza
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Kamran Masud Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Rashid Mirza
Motor Vehicles	1,658	304	332	28	As per entitlement	Ex-Employee	Abdul Qadir
Motor Vehicles	1,658	304	332	28	As per entitlement	Ex-Employee	Saeed Habib
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Manzur Ahmad
Motor Vehicles	1,858	341	372	31	As per entitlement	Employee	Muhammad Ismail Usuf
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	M.Atlas Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Syed Waseem Akhtar
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	S.H.Irtiza Kazmi
Motor Vehicles	1,858	341	372	31	As per entitlement	Employee	Karim Akram Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Muhammad Farrukh Ghouri



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Sarfaraz Ahmed
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Shaikh Tariq Abdullah
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Wajahat Malik
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmad Sohail Warraich
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	Khadim Hussain
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Tarannum Sarwar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Farooq Hasan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	M.Iqbal Malik
Motor Vehicles	1,873	343	375	32	As per entitlement	Employee	Shahid Iqbal Choudry
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmer Liaquat
Motor Vehicles	1,658	221	332	111	As per entitlement	Ex-Employee	Aziz Ur Rehman
Motor Vehicles	1,673	446	446	-	As per entitlement	Ex-Employee	Masood Iqbal
Motor Vehicles	1,567	313	313	-	As per entitlement	Employee	Mahmood Akhtar Nadeem
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	M.Ahsan Aslam
Motor Vehicles	1,658	276	332	56	As per entitlement	Ex-Employee	M.Khursheed Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Amjad Pervaiz
Motor Vehicles	1,673	446	446	-	As per entitlement	Ex-Employee	Muhammad Salim Qasim
Motor Vehicles	1,664	610	610	-	As per entitlement	Ex-Employee	Talat Khurshid
Motor Vehicles	1,789	745	745	-	As per entitlement	Ex-Employee	Shafiq Ahmed Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Saleem Saleemi
Motor Vehicles	1,658	635	635	-	As per entitlement	Ex-Employee	M.Saleem Baig
Motor Vehicles	5,106	766	766	-	As per entitlement	Ex-Employee	Kausar Iqbal Malik
Motor Vehicles	1,643	438	438	-	As per entitlement	Ex-Employee	Syed Tariq Hasan
Motor Vehicles	1,858	186	186	-	As per entitlement	Ex-Employee	Nasir Hussain
Motor Vehicles	1,714	996	996	-	As per entitlement	Ex-Employee	Syed Hasan Mustafa Naqvi
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Dawood Jan Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Masood Yasin
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Amjad
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Muhammad Saqib
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Rafique Ahmed Bhurgri
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Farhan Javaid Durrani
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Ghulam Rasool
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Mansoor Hussain Qureshi
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Aqeel Muslim
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Nasir Khan
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Hananeel Azhar Joseph
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Mumtaz Ahmed Farooq
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Nadeem Khan
Motor Vehicles	1,893	725	725	-	As per entitlement	Ex-Employee	Khawar Saeed
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Qaiser Rasheed
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Irshad Ahmed
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Akhtar Munir
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Syed Rehan Mobin
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Abdul Hadi Palekar
Motor Vehicles	1,673	251	335	84	As per entitlement	Employee	Rashid Ata

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Shakeel Ahmed
Motor Vehicles	1,743	349	349	-	As per entitlement	Employee	Shahzad Karimi
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Akram
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Shahid Iqbal Khan
Motor Vehicles	5,136	978	1,027	49	As per entitlement	Employee	Syed Jamal Baquar
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Hakim Ali Laghari
Motor Vehicles	1,673	307	335	28	As per entitlement	Ex-Employee	Akhter Hussain Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Rana Mujahid Ali
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Aamir Shabbir
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Ashfaq Ahmed Qadir
Motor Vehicles	1,658	-	166	166	As per entitlement	Employee	Umar Azim Daudpota
Motor Vehicles	1,673	223	335	112	As per entitlement	Employee	Ahmar Qadeer
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Zulfiqar Ali
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Pir Baksh
Motor Vehicles	1,743	335	335	-	As per entitlement	Employee	Zahida Hamid
Motor Vehicles	1,664	555	1,054	499	As per entitlement	Ex-Employee	Ansar Raza Goraha
Motor Vehicles	1,658	83	332	249	As per entitlement	Ex-Employee	Arif Raza Abdy
Motor Vehicles	1,708	370	370	-	As per entitlement	Employee	Muhammad Naeem Ansari
Motor Vehicles	5,106	-	511	511	As per entitlement	Ex-Employee	Tariq Jamali
Motor Vehicles	1,673	390	390	-	As per entitlement	Ex-Employee	Khadija Adnan
Motor Vehicles	1,673	223	223	-	As per entitlement	Ex-Employee	Tanvir Yaqub
Motor Vehicles	1,538	308	527	219	As per entitlement	Ex-Employee	Hafiz Muhammad Fayyaz
Motor Vehicles	1,824	942	942	-	As per entitlement	Ex-Employee	Abdul Aziz Nadeem
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Noor Ul Islam
	<b>177,480</b>	<b>35,177</b>	<b>38,279</b>	<b>3,102</b>			
	<b>194,668</b>	<b>38,028</b>	<b>41,227</b>	<b>3,199</b>			

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 13. INTANGIBLE ASSETS

#### At January 1, 2020

Cost  
Accumulated amortisation and  
Net book value

#### Year ended December 2020

Opening net book value  
Additions:  
- developed internally  
Adjustments - addition  
Amortisation charge  
Exchange rate adjustments  
Closing net book value

#### At December 31, 2020

Cost  
Accumulated amortisation and  
Net book value

Rate of amortisation (percentage)  
Useful life

#### At January 1, 2019

Cost  
Accumulated amortisation and  
Net book value

#### Year ended December 2019

Opening net book value  
Additions:  
- through acquisitions / purchased  
Amortisation charge  
Adjustments - additions  
Adjustments - depreciation  
Closing net book value

#### At December 31, 2019

Cost  
Accumulated amortisation and impairment  
Net book value

Rate of amortisation (percentage)  
Useful life

There is no such intangible asset having indefinite useful life.

	Core Banking Application	Computer software	Total
	(Rupees in 000)		
<b>At January 1, 2020</b>			
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
<b>Year ended December 2020</b>			
Opening net book value	-	374,950	374,950
Additions:			
- developed internally	-	94,788	94,788
Adjustments - addition	-	45,756	45,756
Amortisation charge	-	(210,961)	(210,961)
Exchange rate adjustments	-	(720)	(720)
Closing net book value	-	303,813	303,813
<b>At December 31, 2020</b>			
Cost	2,913,952	1,140,555	4,054,507
Accumulated amortisation and	(2,913,952)	(836,742)	(3,750,694)
Net book value	-	303,813	303,813
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	
Useful life	3 years	3 years	
<b>At January 1, 2019</b>			
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
<b>Year ended December 2019</b>			
Opening net book value	113,026	132,632	245,658
Additions:			
- through acquisitions / purchased	-	406,947	406,947
Amortisation charge	(113,026)	(204,842)	(317,868)
Adjustments - additions	-	178,877	178,877
Adjustments - depreciation	-	(138,664)	(138,664)
Closing net book value	-	374,950	374,950
<b>At December 31, 2019</b>			
Cost	2,913,952	1,000,731	3,914,683
Accumulated amortisation and impairment	(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	

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

		2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>14. RIGHT OF USE ASSETS</b>			
The recognized right of use assets relate to the following types of assets:			
Balance as at January 01,		7,221,266	7,908,684
Additions during the period		1,331,535	1,185,554
Depreciation charged for the period		1,883,117	1,872,972
<b>Balance as at December 31,</b>		<b>6,669,684</b>	<b>7,221,266</b>
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.			
	<b>Note</b>	<b>2020 ----- (Rupees in '000) -----</b>	<b>2019 ----- (Rupees in '000) -----</b>
<b>15. OTHER ASSETS</b>			
Income / return / mark-up accrued in local currency - net of provision		39,642,348	52,625,336
Income / return / mark-up accrued in foreign currency - net of provision		2,274,912	2,551,275
Advances, deposits, advance rent and other prepayments	15.1	2,918,231	7,816,695
Advance taxation (payments less provisions)	15.6	2,904,317	9,155,744
Income tax refunds receivable	15.6	24,278,882	42,667,383
Compensation for delayed tax refunds		17,556,551	13,722,128
Non-banking assets acquired in satisfaction of claims	15.4	3,750,925	3,284,853
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Commission receivable on Government. treasury transactions		4,612,174	4,065,704
Stationery and stamps on hand		499,511	435,733
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		88,996	310,374
Acceptances		15,741,754	26,934,779
Others		6,437,628	9,941,052
		<b>121,852,057</b>	<b>174,656,884</b>
Less: Provision held against other assets	15.5	11,873,693	10,853,587
<b>Other assets (net of provision)</b>		<b>109,978,364</b>	<b>163,803,297</b>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		217,404	477,215
<b>Other assets - total</b>		<b>110,195,768</b>	<b>164,280,512</b>
<b>15.1</b>	This includes Rs. 800 million (2019: Rs. 5,808 million) advance against Pre-IPO placement of Term Finance Certificates.		
<b>15.2</b>	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.		
<b>15.3</b>	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.		
		<b>2020 ----- (Rupees in '000) -----</b>	<b>2019 ----- (Rupees in '000) -----</b>
<b>15.4</b>	Market value of Non-banking assets acquired in satisfaction of claims	<b>3,968,329</b>	<b>3,762,068</b>

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 December 31, 2020. 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, 2020

	2020	2019
	(Rupees in '000)	
<b>15.4.1 Non-banking assets acquired in satisfaction of claims</b>		
Opening balance	3,762,068	3,594,660
Revaluation	217,404	477,215
Depreciation	(15,784)	(29,577)
Adjustment	4,641	38,043
Transfer to operating fixed Assets	-	(318,273)
Closing balance	3,968,329	3,762,068
<b>15.5 Provision held against other assets</b>		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	4,092,280	2,555,322
Provision against FE-25 loans	-	1,734,591
Ex-MBL / NDFC	770,398	770,398
Assets acquired from corporate and industrial restructuring corporation asset (CIRC)	208,423	208,423
Others	4,778,089	3,560,350
	11,873,693	10,853,587
<b>15.5.1 Movement in provision held against other assets</b>		
Opening balance	10,853,587	8,884,661
Charge for the year	1,517,709	1,589,466
Transfer in / (out)	(484,393)	457,739
Adjustment against provision	(13,210)	(78,279)
Closing balance	11,873,693	10,853,587
<b>15.6</b> During the year, the Bank has adjusted its advance tax liability and demand of previous tax year against income tax refunds receivables.		
	2020	2019
	(Rupees in '000)	
<b>16. BILLS PAYABLE</b>		
In Pakistan	16,718,064	19,648,708
Outside Pakistan	77,122	218,716
	16,795,186	19,867,424
<b>17. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	2,451,874	1,908,291
Under Export Refinance Scheme (New Scheme)	28,686,149	20,687,441
Financing Scheme for Renewable Energy	481,261	236,175
Refinance Facility for Modernization of SMEs	177,976	45,000
Financing Facility for storage of Agriculture Produce (FFSAP)	256,184	284,012
Under Long-Term Financing Facility (LTFF)	16,380,117	8,923,286
Refinance Scheme for Payment of Wages and Salaries	1,167,527	-
Temporary Economic Refinance Facility	537,912	-
Refinance Facility for Combating Covid-19	61,448	-
	50,200,448	32,084,205
Repurchase agreement borrowings	5,266,007	332,053,770
Bai Muajjal	79,788,522	59,069,167
<b>Total secured</b>	135,254,977	423,207,142
<b>Unsecured</b>		
Call borrowings	2,047,588	39,052,969
Overdrawn nostro accounts	1,236,440	3,467,767
Bai Muajjal	-	6,029,474
<b>Total unsecured</b>	3,284,028	48,550,210
	138,539,005	471,757,352

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>17.1 Particulars of borrowings with respect to currencies</b>		
In local currency	136,491,430	432,843,644
In foreign currencies	2,047,575	38,913,708
	<b>138,539,005</b>	<b>471,757,352</b>

### 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% (2019: 3%).
- Repurchase agreement borrowings carry mark-up ranging from 7% to 7.05% per annum (2019: 13.2% to 13.32% per annum) having maturity on January 8, 2021.
- Call borrowings carry interest ranging from 0% to 2% per annum (2019: 1.75% to 4.0% 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 Bond and Market Treasury Bill having maturity of 5 years and 6 months respectively, are pledged as security under borrowing having carrying amount of Rs. 5,266 million (2019: Rs. 332,054 million).

### 18. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
	----- (Rupees in '000) -----					
<b>Customers</b>						
Current deposits - remunerative	405,738,851	-	405,738,851	320,884,110	-	320,884,110
Current deposits - non- remunerative	433,284,063	115,191,412	548,475,475	387,100,580	138,036,876	525,137,456
Savings deposits	637,694,450	66,126,336	703,820,786	533,399,568	52,363,840	585,763,408
Term deposits	276,454,916	81,153,488	357,608,404	285,062,513	75,428,176	360,490,689
Others	4,683,735	316,040	4,999,775	4,970,352	3,924	4,974,276
	<b>1,757,856,015</b>	<b>262,787,276</b>	<b>2,020,643,291</b>	<b>1,531,417,123</b>	<b>265,832,816</b>	<b>1,797,249,939</b>
<b>Financial Institutions</b>						
Current deposits	360,581,882	1,634,466	362,216,348	357,600,795	1,225,295	358,826,090
Savings deposits	4,253,051	3,246,855	7,499,906	4,405,416	2,911,091	7,316,507
Term deposits	12,613,687	8,883,345	21,497,032	21,888,152	5,932,636	27,820,788
Others	7,109,902	-	7,109,902	6,549,217	286,740	6,835,957
	<b>384,558,522</b>	<b>13,764,666</b>	<b>398,323,188</b>	<b>390,443,580</b>	<b>10,355,762</b>	<b>400,799,342</b>
	<b>2,142,414,537</b>	<b>276,551,942</b>	<b>2,418,966,479</b>	<b>1,921,860,703</b>	<b>276,188,578</b>	<b>2,198,049,281</b>

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>18.1 Composition of deposits</b>		
Individuals	847,611,816	700,462,343
Government (Federal and Provincial)	674,985,259	602,779,800
Public Sector Entities	257,331,543	237,284,226
Banking companies	368,855,014	380,226,047
Non-Banking Financial Institutions	29,468,173	20,573,295
Private sector	240,714,674	256,723,570
	<b>2,418,966,479</b>	<b>2,198,049,281</b>



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

18.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 73,145 million (2019: Rs. 85,488 million).

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 981,942 million (2019: Rs. 859,148 million) including islamic branches.

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>19. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS</b>		
Lease liabilities included in the statement of financial position As at December 31	<b>7,533,691</b>	7,640,188
Of which are:		
Current lease liability	<b>1,367,840</b>	1,237,717
Non-current lease liability	<b>6,165,851</b>	6,402,471
	<b>7,533,691</b>	7,640,188
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	<b>2,315,989</b>	1,948,040
One to five years	<b>5,869,956</b>	6,610,167
More than five years	<b>5,839,515</b>	6,652,960
Total undiscounted lease liabilities as at December 31	<b>14,025,460</b>	15,211,167

## 20. DEFERRED TAX

At January 01, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2020
----- (Rupees in '000) -----			

Deductible temporary differences on

- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	3,852,716	-	268,139	4,120,855
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loans and advances	2,625,495	6,459,106	-	9,084,601
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Other provisions	105,416	-	-	105,416
	<b>6,946,305</b>	<b>6,459,106</b>	<b>268,139</b>	<b>13,673,550</b>

Taxable temporary differences on

- Surplus on revaluation of fixed assets	(1,689,317)	459,830	(30,874)	(1,260,361)
- Surplus on revaluation of investments	(13,816,519)	-	(1,530,321)	(15,346,840)
- Surplus on revaluation of non-banking assets	(41,439)	-	(3,274)	(44,713)
- Other	(2,314,832)	2,314,832	-	-
	<b>(17,862,107)</b>	<b>2,774,662</b>	<b>(1,564,469)</b>	<b>(16,651,914)</b>
	<b>(10,915,802)</b>	<b>9,233,769</b>	<b>(1,296,330)</b>	<b>(2,978,364)</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	At January 01, 2019	Recognised in profit or 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 loan 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)

	Note	2020 ----- (Rupees in '000) -----	2019
<b>21. OTHER LIABILITIES</b>			
Mark-up / Return / Interest payable in local currency		37,808,884	57,027,903
Mark-up / Return / Interest payable in foreign currency		844,452	439,959
Unearned commission and income on bills discounted		1,574,563	3,045,278
Accrued expenses		18,183,815	19,000,508
Advance payments		362,466	397,099
Unclaimed dividends		185,516	186,668
Unrealized loss on forward foreign exchange contracts		2,918,017	4,358,883
Unrealized loss on put option		306,339	306,339
Branch adjustment account		917,487	926,311
Employee benefits:			
Pension fund		15,704,077	14,785,647
Post retirement medical benefits		22,282,747	18,333,947
Benevolent scheme		2,054,218	1,749,006
Gratuity scheme		2,711,914	2,206,599
Compensated absences		9,251,755	8,344,182
Staff welfare fund		371,257	371,257
Liabilities relating to Barter trade agreements		2,142,033	5,539,436
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies		4,180,071	4,629,645
Payable to brokers	21.1	65,137	38,667
PIBs shortselling		3,237,676	256,284
Acceptances		15,741,754	26,934,779
Others		14,683,842	14,039,099
		<b>156,155,514</b>	<b>183,544,990</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>21.1 Provision against contingencies</b>			
Opening balance		4,629,645	3,734,889
Charge during the year		381,090	1,152,495
Transfer out		(830,664)	(457,739)
Other movement		-	200,000
Closing balance	21.1.1	4,180,071	4,629,645

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

2020 ----- (Number of shares) -----	2019 ----- (Number of shares) -----		2020 ----- (Rupees in '000) -----	2019 ----- (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

2020 ----- (Number of shares) -----	2019 ----- (Number of shares) -----		2020 ----- (Rupees in '000) -----	2019 ----- (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% (2019: 75.60%) shares of the Bank.

2020 ----- (Number of shares) -----	2019 ----- (Number of shares) -----	
<b>22.3 Shares of the Bank held by subsidiary and associate</b>		
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 Funds	-	330,000
	70,000	400,000

## 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.

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 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.

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>24. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus on revaluation of:			
- Available for sale securities	10.1	43,848,111	39,475,771
- Fixed assets	24.1	44,882,399	44,576,547
- Non-banking assets acquired in satisfaction of claims	24.2	2,757,207	2,539,695
		<b>91,487,717</b>	<b>86,592,013</b>
Deferred tax on surplus on revaluation of:			
- Available for sale securities	24.1	(15,346,840)	(13,816,519)
- Fixed assets	24.1	(2,396,819)	(2,489,995)
- Non-banking assets acquired in satisfaction of claims	24.2	(44,713)	(41,439)
		<b>(17,788,373)</b>	<b>(16,347,953)</b>
		<b>73,699,344</b>	<b>70,244,060</b>
<b>24.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		44,576,547	44,292,018
Recognised during the year		660,281	653,070
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(230,379)	(239,552)
Related deferred tax liability on incremental depreciation charged during the year		(124,050)	(128,989)
Surplus on revaluation of fixed assets as at December 31		<b>44,882,399</b>	<b>44,576,547</b>
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,489,995)	(2,588,785)
- revaluation recognised during the year		(30,874)	(30,199)
- incremental depreciation charged during the year		124,050	128,989
		<b>(2,396,819)</b>	<b>(2,489,995)</b>
		<b>42,485,580</b>	<b>42,086,552</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- (Rupees in '000) -----	2019 -----
<b>24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 1		2,539,695	2,062,480
Recognised during the year		217,512	477,215
Surplus on revaluation as at December 31		2,757,207	2,539,695
Less: related deferred tax liability on:			
- revaluation as at January 1		(41,439)	(55,208)
- revaluation recognised during the year		(3,274)	13,769
		(44,713)	(41,439)
		2,712,494	2,498,256
<b>25. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	25.1	206,831,672	161,579,745
Commitments	25.2	1,433,601,765	1,761,652,119
Other contingent liabilities	25.3	34,820,672	30,664,297
		1,675,254,109	1,953,896,161
<b>25.1 Guarantees</b>			
Financial guarantees		137,366,954	101,841,274
Performance guarantees		69,464,718	59,738,471
		206,831,672	161,579,745
<b>25.2 Commitments</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		986,016,071	937,616,635
Commitments in respect of:			
- forward foreign exchange contracts	25.2.1	419,327,735	801,290,548
- forward government securities transactions	25.2.2	27,625,340	22,164,581
Commitments for acquisition of:			
- operating fixed assets		632,619	566,855
Other commitments	25.2.3	-	13,500
		1,433,601,765	1,761,652,119
<b>25.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		272,245,550	478,842,756
Sale		147,082,185	322,447,792
		419,327,735	801,290,548

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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.

	2020	2019
	(Rupees in '000)	
<b>25.2.2 Commitments in respect of forward government securities transactions</b>		
Purchase	496,331	256,814
Sale	27,129,009	21,907,767
	<b>27,625,340</b>	<b>22,164,581</b>

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

	2020	2019
	(Rupees in '000)	
<b>25.2.3 Professional services to be received</b>	-	13,500
<b>25.3 Other contingent liabilities</b>		
<b>25.3.1 Claim against the Bank not acknowledged as debt</b>	<b>34,820,672</b>	<b>30,664,297</b>

Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2019: Rs. 1,597 million).

### 25.3.2 Taxation

Tax returns of the Bank have been filed up to tax year 2020 and amended by tax authorities up to tax year 2018. Tax year 2019 has been selected for tax audit under section 177 of the Income Tax Ordinance, 2001 in July 2020 which is on-going. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2020.

- During the year the Taxation Officer issued show-cause notices under section 221 of the Income Tax Ordinance, 2001 to the Bank to withdraw compensation on delayed refunds already given to the Bank, and questioned issuance of refund orders already issued to the Bank in the past several years which had become past and closed transactions and thus legally fall outside the scope of rectification. The amount involved is Rs. 14.8 billion and Rs. 21.25 billion respectively. These notices being totally illegal were challenged by the Bank before the Honourable Sindh High Court (SHC) which instructed the taxation officer not to take adverse action. The Honourable SHC has stayed the recovery of tax demands. The Bank as a matter of abundant caution, have also filed appeal before CIR(A), the hearing may take place after the Honourable SHC decides the outcome of petitions filed in favor of the Bank.
- Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders are recently passed by taxation officer for tax years 2006 and 2007 on June 30, 2020, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1,032 million and Rs. 1,395 million respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein.
- The Additional Commissioner, PRA has passed an order creating the Punjab sales tax liability on the non-withholding of Punjab Sales Tax on the insurance services received by the Bank for the tax periods January 2016-December 2016 and January 2017-December 2017 amounting to Rs. 254.734 million and Rs. 281.774 million respectively. The rectification application has been submitted under section 79 of the Punjab Sales Tax on Services Act, 2012 for the apparent mistake of



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

facts. After the rectification, the net principal exposure would be Rs. 56.621 million and Rs. 50.685 million. Based on the legal and factual position, the Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor.

- d) 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, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of tax year 2013. Miscellaneous Application before CIR(A) as well as appeal before Appellate Tribunal have been filed by Bank. The aggregate effect of these contingencies as on December 31, 2020, including amount of Rs. 645.97 million (December 31, 2019: Rs. 183.455 million) in respect of indirect tax issues, amounts to Rs. 21.163 billion (December 31, 2019: Rs. 18.166 billion). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.

### 25.3.3 Contingencies in respect of employees benefits and related matters

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

#### 25.3.3.1 Pensionary benefits to retired employees

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

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

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

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

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

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

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

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

legal grounds to convince the Supreme Court for review of its decision. The Review Petition is ongoing and is expected to be listed for hearing soon.

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. 68.2 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for the current year and onward will also increase by Rs.6.8 billion due to this decision. Based on the opinion of legal counsel. No provision has been made in these unconsolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

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

The Bank outsourced certain 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.

### 25.3.3.3 Litigation related to management trainee program

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

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

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

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 off 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 judgement 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.

During the year, the Bank has entered an out of court settlements which has successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Further, the Bank has carried out an assessment to ascertain the financial implications of the case with respect to non-petitioners and accordingly, they were also encouraged to enter into a similar agreement with Bank. The management is in the process of negotiation and is confident to undertake the agreement with remaining petitioners and non-petitioners. Furthermore, with respect to ongoing litigation, the management has reflected any potential impact it may have in an appropriate manner in these unconsolidated financial statements

### 25.4 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 has made considerable progress and seeks to comply with all possible laws and regulations.

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>26. MARK-UP / RETURN / INTEREST EARNED</b>			
Loans and advances		99,780,695	109,645,808
Investments		154,040,914	122,337,007
On securities purchased under resale agreements		2,373,880	5,366,881
Balances with other banks		1,615,526	2,127,620
		<b>257,811,015</b>	<b>239,477,316</b>
<b>27. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		103,380,273	110,075,180
Borrowings		6,929,625	6,981,845
Cost of foreign currency swaps against foreign currency deposits / borrowings		9,175,328	9,157,133
Finance charge on lease liability against right of use assets		754,180	719,136
Securities sold under repurchase agreements		33,416,502	40,636,745
		<b>153,655,908</b>	<b>167,570,039</b>
<b>28. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		1,234,426	1,450,895
Consumer finance related fees		773,004	810,367
Card related fees		1,054,031	657,077
Credit related fees		181,504	237,625
Investment banking fees		670,458	616,320
Commission on trade		2,723,962	3,359,376
Commission on guarantees		477,271	440,867
Commission on cash management		14,149	22,656
Commission on remittances including home remittances		1,038,763	912,379
Commission on bancassurance		278,406	392,746
Commission on government transactions		9,652,545	9,958,006
Others		155,028	266,232
		<b>18,253,547</b>	<b>19,124,546</b>
<b>29. GAIN / (LOSS) ON SECURITIES - NET</b>			
Realised	29.1	7,883,429	2,122,608
Unrealised - held for trading	10.1	2,074	(10,996)
		<b>7,885,503</b>	<b>2,111,612</b>
<b>29.1 Realised gain on</b>			
Federal Government securities		5,346,600	557,418
Shares		1,868,517	1,536,727
Ijarah sukuks		8	28,463
Foreign securities		668,304	-
		<b>7,883,429</b>	<b>2,122,608</b>
<b>30. OTHER INCOME</b>			
Rent on property		36,919	49,969
Gain on sale of fixed assets - net		10,775	29,569
Postal, SWIFT and other charges recovered		48,071	44,202
Compensation for delayed tax refunds	30.1	3,834,424	5,639,569
Others		33,105	4,491
		<b>3,963,294</b>	<b>5,767,800</b>

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

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

	Note	2020 ----- (Rupees in '000) -----	2019 -----
<b>31. OPERATING EXPENSES</b>			
<b>Total compensation expenses</b>	31.1	<b>40,749,696</b>	45,284,522
<b>Property expenses</b>			
Rent and taxes		411,294	911,933
Insurance	31.2	34,734	34,124
Utilities cost		1,345,619	1,192,225
Security (including guards)		2,726,215	2,530,919
Repair and maintenance (including janitorial charges)		1,134,368	1,055,179
Depreciation		466,348	460,382
Depreciation on non banking assets		15,784	29,577
Depreciation on Ijarah assets		85,593	161,131
Depreciation on ROUA		1,883,117	1,872,972
		<b>8,103,072</b>	8,248,442
<b>Information technology expenses</b>			
Software maintenance		1,366,196	1,066,582
Hardware maintenance		19,802	15,419
Depreciation		247,410	283,627
Amortisation		210,961	317,868
Network charges		559,235	522,070
		<b>2,403,604</b>	2,205,566
<b>Other operating expenses</b>			
Directors' fees and allowances		36,160	38,613
Fees and allowances to Shariah Board		9,290	9,163
Legal and professional charges		2,315,145	851,077
Outsourced services costs	31.3	829,229	794,629
Travelling and conveyance		653,230	1,050,731
NIFT clearing charges		189,866	153,825
Depreciation		1,652,352	1,563,863
Training and development		62,039	112,538
Postage and courier charges		213,403	199,800
Communication		322,654	303,023
Stationery and printing		1,128,834	1,009,799
Marketing, advertisement and publicity		317,000	299,864
Contributions for other corporate and social responsibility	31.4	85,447	26,868
Auditors' remuneration	31.5	198,063	197,756
Financial charges on leased assets		30,852	25,947
Entertainment		252,132	276,128
Clearing charges, verification and licence fee		342,554	436,517
Brokerage		121,092	110,284
Insurance general		369,473	415,779
Vehicle expenses		149,421	145,957
Deposit premium expense		1,388,248	1,244,433
Repairs and maintenance general		508,258	387,878
Others		365,509	312,027
		<b>11,540,251</b>	9,966,499
		<b>62,796,623</b>	65,705,029

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>31.1 Total compensation expense</b>		
Managerial Remuneration		
i) Fixed	13,157,852	17,727,960
ii) Variable		
of which;		
a) Cash bonus / awards etc.	4,413,504	4,187,847
Charge for defined benefit plan	7,392,388	7,495,742
Rent & house maintenance	4,591,965	4,471,577
Utilities	1,712,734	1,661,707
Medical	3,141,830	3,101,904
Conveyance	3,192,648	3,289,910
Club Membership & Subscription	80,796	42,519
Education Allowance	1,463,449	1,570,297
Insurance	440,776	292,665
Honorarium to Staff and Staff Welfare	206,662	262,111
Overtime	25,196	53,628
Special Duty Allowance	477	1,143
Washing Allowance	15,971	16,707
Key Allowance	72,208	78,886
Unattractive Area Allowance	57,929	48,282
Leave Encashment	9,246	80,128
Teaching Allowance	9,199	7,962
Incentive on CASA deposits mobilization	6,790	26,063
Meal Allowance	126,585	126,561
Liveries	1,086	490
Hill, Late Sitting & Saturday allowance etc.	630,405	740,433
	<b>40,749,696</b>	<b>45,284,522</b>
<b>Grand Total</b>	<b>40,749,696</b>	<b>45,284,522</b>

**31.2** This includes Rs. 3.550 million (2019: Rs. 3.201 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. 829 million (2019: Rs. 795 million). Out of this cost, Rs. 821 million (2019: Rs. 787 million) pertains to the payment to companies incorporated in Pakistan and Rs. 8 million (2019: Rs. 8 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
ICON Consultant (Private) Limited	IT support Services, sales services, collection, reconciliation and engineering services etc.	270,438	265,011
HTECH Solutions (Private) Limited	Call center management	97,407	-
Virtual World (Private) Limited	Call center management	5,497	60,994
		<b>373,342</b>	<b>326,005</b>

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

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

Description	2020	2019
	(Rupees in '000)	
Karachi Relief Trust (KRT)	20,000	-
Rural Community Development Program	20,000	-
National Rural Support Program	25,000	-
SAFCO Support Program	5,000	-
Thardeep Mirco Finance Foundation	5,000	-
Agha Khan Rural Support Program	5,000	-
Namal College-Mianwali	5,200	5,198
DHQ Hospital Gawadar	-	3,750
Syed Abad Botanical Garden University of Chitral	-	525
Earthquake Effectees of Mirpur AJ&K.	-	7,500
Aman Foundation	-	2,000
<b>Total</b>	<b>85,200</b>	<b>18,973</b>

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

Yousuf Adil	Grant Thornton Anjum Rahman	Total 2020	Total 2019
(Rupees in '000)			

#### 31.5 Auditors' remuneration

Audit fee	6,226	6,226	12,452	12,452
Review of interim financial statements	2,178	2,178	4,356	4,356
Fee for audit of domestic branches	5,060	5,060	10,120	10,120
Fee for other statutory certifications	-	2,500	2,500	3,500
Special certifications and sundry advisory services	1,136	1,968	3,104	8,472
Tax services	-	20,000	20,000	20,000
Sales Tax	1,168	3,035	4,203	4,712
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	<b>20,268</b>	<b>45,467</b>	<b>65,735</b>	<b>72,612</b>
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	132,328	125,144
	<b>20,268</b>	<b>45,467</b>	<b>198,063</b>	<b>197,756</b>

32. OTHER CHARGES	Note	2020	2019
		(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		310,588	141,015
Penalties imposed by other regulatory bodies (Central bank of international branches)		4,719	7,076
		<b>315,307</b>	<b>148,091</b>
<b>33. PROVISIONS AND WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	10.3	(126,387)	3,041,682
Provisions against loans and advances	11.4	29,320,023	8,424,453
Provision against other assets and other liabilities		1,702,302	2,784,140
		<b>30,895,938</b>	<b>14,250,275</b>



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		2020	2019
	Note	(Rupees in '000)	(Rupees in '000)
<b>34. TAXATION</b>			
Current	34.1	24,898,997	13,286,008
Prior years		-	1,056,841
Deferred		(9,233,769)	(2,149,293)
		<b>15,665,228</b>	<b>12,193,556</b>
<b>34.1</b>	Current taxation includes Rs. Nil (2019: Rs. 319 million) of overseas branches.		
<b>34.2 Relationship between tax expense and accounting profit</b>			
Accounting profit before tax		<b>46,224,147</b>	<b>28,003,367</b>
Income tax at statutory rate @ 35% (2019: 35%)		<b>16,178,451</b>	9,804,386
Super tax at statutory rate @ 4% (2019: 4%)		<b>1,848,966</b>	1,120,501
Inadmissible items		<b>122,970</b>	57,755
Prior year tax effects		-	1,056,841
Impact of tax order		<b>(2,314,832)</b>	-
Others		<b>(170,327)</b>	154,073
Tax charge for current and prior years		<b>15,665,228</b>	<b>12,193,556</b>
		<b>2020</b>	<b>2019</b>
<b>35. BASIC EARNINGS PER SHARE</b>			
Profit for the year (Rupees in 000's)		<b>30,558,919</b>	15,809,811
Weighted average number of ordinary shares (Number in 000's)		<b>2,127,513</b>	2,127,513
Basic earnings per share (Rupees)		<b>14.36</b>	7.43
<b>36. DILUTED EARNINGS PER SHARE</b>			
Profit for the year (Rupees in 000's)		<b>30,558,919</b>	15,809,811
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)		<b>2,127,513</b>	2,127,513
Diluted earnings per share (Rupees)		<b>14.36</b>	7.43
		<b>2020</b>	<b>2019</b>
<b>37. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	7	<b>249,259,590</b>	292,513,379
Balances with other banks	8	<b>14,227,355</b>	13,220,807
Call / clean money lendings	9	<b>2,040,800</b>	540,800
Call borrowings	17	<b>(2,047,588)</b>	(39,052,969)
Overdrawn nostro accounts	17	<b>(1,236,440)</b>	(3,467,767)
		<b>262,243,717</b>	<b>263,754,250</b>

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

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

Balance as at January 1, 2020
Changes from financing cashflows
Payment of lease obligation / dividend
<b>Total charges from financing activities</b>
Other charges
Renewed lease during the period
Interest unwinding
Foreign exchange loss
<b>Total other charges</b>
Balance as at December 31, 2020

2020	
Lease Obligation	Unclaimed Dividend
(Rupees in '000)	
7,640,188	186,668
(2,040,384)	(1,152)
(2,040,384)	(1,152)
1,237,488	-
754,180	-
(57,781)	-
1,933,887	-
7,533,691	185,516

Balance as at January 1, 2019
Changes from financing cashflows
Payment of lease obligation / dividend
<b>Total charges from financing activities</b>
Other charges
Renewed lease during the period
Interest unwinding
Foreign exchange gain
<b>Total other charges</b>
Balance as at December 31, 2019

2019	
Lease Obligation	Unclaimed Dividend
(Rupees in '000)	
7,656,551	188,868
(2,044,189)	(2,200)
(2,044,189)	(2,200)
1,183,911	-
719,136	-
124,779	-
2,027,826	-
7,640,188	186,668

#### 38. STAFF STRENGTH

Permanent
On Bank contract
Bank's own staff strength at the end of the year

2020	2019
(Numbers)	
10,751	11,096
4,358	4,092
15,109	15,188

38.1 In addition to the above, 1,838 (2019: 2,102) 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, 1,825 employees are working domestically (2019: 2,096) and abroad 13 (2019: 6) respectively.

#### 39. DEFINED BENEFIT PLAN

##### 39.1 General description

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

##### 39.2 Number of employees under the scheme

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

	2020	2019
	(Numbers)	
Pension fund	10,751	11,430
Gratuity scheme	3,985	3,776
Benevolent scheme	10,751	11,430

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2020 using the following significant assumptions:

	2020	(Per annum)	2019
Discount rate	9.75%	9.75%	11.25%
Expected rate of return on plan assets	9.75%	9.75%	11.25%
Expected rate of salary increase	9.75%	9.75%	11.25%
Expected rate of increase in pension	14.00%	14.00%	6.75%
Expected rate of increase in medical benefit	9.75%	9.75%	11.25%

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

2020					2019						
2020			2019		2020			2019			
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

Present value of obligations	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Fair value of plan assets	(57,038,053)	-	-	-	-	(57,038,053)
Payable	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711

## 39.5 Movement in defined benefit obligations

Obligations at the beginning of the year	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200
Current service cost	1,517,934	554,295	61,059	311,438	133,178	2,577,904
Adjustment against contingency Reserve	2,338,905	487,146	20,650	-	319,164	3,175,865
Interest cost	7,285,453	1,996,008	183,757	244,487	919,810	10,629,515
Benefits paid by the Bank	(3,427,771)	(1,183,316)	(231,219)	(66,763)	(336,194)	(5,245,263)
Re-measurement loss / (gain) - Profit and loss	-	-	-	-	(128,385)	(128,385)
Re-measurement loss / (gain) - OCI	(1,445,857)	2,084,667	270,965	16,153	-	925,928
Obligations at the end of the year	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764

## 39.6 Movement in fair value of plan assets

Fair value at the beginning of the year	51,687,819	-	-	-	-	51,687,819
Interest income on plan assets	5,886,646	-	-	-	-	5,886,646
Contribution by the Bank - net	1,148,063	-	-	-	-	1,148,063
Benefits paid	(3,427,771)	-	-	-	-	(3,427,771)
Benefits paid on behalf of fund	1,783,479	-	-	-	-	1,783,479
Actuarial gain / (loss) on Assets	159,817	-	-	-	-	159,817
Fair value at the end of the year	57,038,053	-	-	-	-	57,038,053

## 39.7 Movement in (receivable) / payable under defined benefits scheme

Opening balance	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381
Charge / (reversal) for the year	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388
Adjustment against contingency Reserve	2,338,905	487,146	20,650	-	319,164	3,175,865
Contribution by the bank - net	(1,148,063)	-	-	-	-	(1,148,063)
Re-measurement loss / (gain) recognized in OCI during the year	(1,605,674)	2,084,667	270,965	16,153	-	766,111
Benefits paid by the Bank	(1,783,479)	(1,183,316)	(231,219)	(66,763)	(336,194)	(3,600,971)
	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711

## 39.7 Charge for defined benefit plans

### 39.7.1 Cost recognised in profit and loss

Current service cost	1,517,934	554,295	61,059	311,438	133,178	2,577,904
Actuarial loss recognized - Profit and Loss	-	-	-	-	(128,385)	(128,385)
Net interest on defined benefit asset / liability	1,598,807	1,996,008	183,757	244,487	919,810	4,942,869
	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388

## 39.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation	(1,605,674)	2,084,667	270,965	16,153	-	766,111
- Experience adjustment	(1,605,674)	2,084,667	270,965	16,153	-	766,111
Total re-measurements recognised in OCI						

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	(Rupees in '000)	
<b>39.8 Components of plan assets</b>		
Pakistan investment bonds	22,127,729	22,127,729
Treasury bills	1,655,750	-
Term finance certificates	104,000	104,000
Mutual funds / shares	6,427,374	5,870,329
Shares	7,179,354	6,288,248
Defence saving certificates	8,479,970	7,538,348
Special saving certificates	9,635,360	8,523,972
Cash at bank	1,428,516	1,235,194
	<b>57,038,053</b>	<b>51,687,819</b>

### 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:

	2020					
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity fund	Compensated absences	Total
	(Rupees in 000')					
1% increase in discount rate	65,308,485	19,266,575	1,915,735	2,396,364	8,538,577	97,425,736
1% decrease in discount rate	81,782,213	26,081,439	2,211,838	3,088,758	10,070,396	123,234,644
1 % increase in expected rate of salary increase	76,592,777	23,499,623	2,081,710	3,098,775	10,107,352	115,380,237
1 % decrease in expected rate of salary increase	69,280,964	21,191,648	2,027,093	2,383,069	8,494,357	103,377,131
1% increase in expected rate of pension increase	77,360,353	24,019,702	-	-	-	101,380,055
1% decrease in expected rate of pension increase	68,785,097	20,793,333	-	-	-	89,578,430
1% increase in expected rate of medical benefit increase	-	23,097,183	-	-	-	23,097,183
1% decrease in expected rate of medical benefit increase	-	21,601,836	-	-	-	21,601,836

<b>39.10 Expected contributions to be paid to the funds in the next financial year</b>	<b>1,478,863</b>
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<b>39.11 Expected charge for the next financial year</b>	<b>7,034,716</b>
----------------------------------------------------------	------------------

### 39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	11.32
Post retirement medical fund	15.29
Benevolent fund	7.21
Gratuity fund	12.77
Compensated absences	8.28

### 39.13 Funding Policy

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

	Amount Rupees in '000	Percentage
<b>Current Assets</b>		
Cash and cash equivalents - net	1,428,516	2.5%
Government securities	41,898,809	73.5%
Shares	7,179,354	12.6%
Non-Government debt securities	104,000	0.2%
Mutual funds	6,427,374	11.3%
	<b>57,038,053</b>	<b>100%</b>

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, 2020

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

<b>Asset volatility</b>	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.
<b>Changes in bond yields</b>	The risk arises when the actual return on plan assets is lower than expectation.
<b>Inflation risk</b>	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.
<b>Life expectancy / Withdrawal rate</b>	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.
<b>Investment Risk</b>	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, 2020

### 41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 41.1 Total Compensation Expense

Total Compensation Expense		2020				
Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other material risk takers / controllers
	Chairman	Non-Executives				
----- (Rupees in '000) -----						
Fees and Allowances etc.	3,450	30,150	-	-	-	-
Managerial Remuneration						
i) Fixed	-	-	7,362	54,000	206,031	405,064
ii) Total Variable						
of which						
a) Cash Bonus / Awards	-	-	549	-	64,745	175,480
Charge for defined benefit plan	-	-	-	4,500	40,979	104,283
Rent & house maintenance	-	-	683	-	89,343	193,085
Utilities	-	-	211	-	27,615	60,211
Medical	-	-	155	-	24,633	63,510
Conveyance	-	-	330	-	17,234	50,435
Others	659	1,900	-	3,511	13,709	61,611
Total	4,109	32,050	9,290	62,011	484,289	1,113,679
Number of Persons	1	8	3	1	34	99

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

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

Performance bonus is accounted for on payment basis.

Performance bonus is accounted for on payment basis.			2019		
Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel
	Chairman	Non- Executives			
----- (Rupees 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	-	54,435
Charge for defined benefit plan	-	-	-	4,500	38,739
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	14,857
Total	4,204	34,409	9,163	58,337	400,920
Number of Persons	1	10	3	1	29



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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

2020									
S.No.	Name of Director	Meeting Fees and Allowances Paid							
		For Board Meetings	For Board Committees						Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	
(Rupees in '000)									
1	Mr. Zubyr Soomro	2,759	-	-	1,350	-	-	-	4,109
2	Mr. Muhammad Naeem	554	414	150	-	-	-	-	1,118
3	Mr. Muhammad Sohail Rajput	2,309	1,056	-	-	-	1,050	-	4,415
4	Ms. Sadaffe Abid	1,721	-	-	-	1,350	1,050	-	4,121
5	Mr. Tawfiq Asghar Hussain	2,100	1,200	1,050	-	-	-	1,200	5,550
6	Mr. Zafar Masud	900	-	-	600	450	-	300	2,250
7	Mr. Farid Malik	2,456	-	1,139	1,567	1,634	-	-	6,797
8	Mr. Imam Bukhsh Baloch	2,100	-	1,050	-	-	1,050	-	4,200
9	Mr. Asif Jooma	1,650	900	-	1,050	-	-	-	3,600
Total Amount Paid		16,549	3,570	3,389	4,567	3,434	3,150	1,500	36,160

2019									
S.No.	Name of Director	Meeting Fees and Allowances Paid							
		For Board Meetings	For Board Committees						Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	
----- (Rupees in '000) -----									
1	Mr. Zubyr Soomro	2,854	-	-	1,350	-	-	-	4,204
2	Mr. Muhammad Naeem	2,545	1,722	766	1,434	323	-	-	6,790
3	Mr. Muhammad Sohail Rajput	1,333	1,104	-	-	-	904	-	3,341
4	Ms. Sadaffe Abid	1,127	-	-	-	1,050	750	-	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	1,200	-	450	-	-	750	-	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	450	150	-	-	-	-	1,350
Total Amount Paid		17,319	4,824	2,792	5,864	4,810	2,404	600	38,613

41.2.1 In last year, Rs. 578,000 was inadvertently disclosed as amount paid to Mr. Zubyr Soomro for attending Board Risk & Compliance Committee. In current year, said amount has been reclassified to Board meeting fees & allowances. Further, Nil figure was erroneously disclosed in Board Inclusive Development Committee last year which is corrected in current year.

### 41.3 Remuneration paid to Shariah Board Members

Items	2020				2019			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
(Rupees in '000)								
Retainer Fee & Fixed Remuneration	3,240	3,170	2,880	9,290	3,240	3,043	2,880	9,163
Total Amount Paid	3,240	3,170	2,880	9,290	3,240	3,043	2,880	9,163
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.

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 42.1 Fair value of financial assets

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below 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:

the fair value measurement is categorised.

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- (Rupeesin '000) -----				
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	626,248,789	-	626,248,789	-	626,248,789
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	47,907,782	47,907,782	-	-	47,907,782
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Investments in mutual funds	2,000,170	2,000,170	-	-	2,000,170
Term Finance Certificates / Musharika and Sukuk Bonds	55,860,007	4,280,000	51,580,007	-	55,860,007
GoP Foreign Currency Bonds	10,840,875	-	10,840,875	-	10,840,875
Foreign Government Securities	2,847,176	-	2,847,176	-	2,847,176
Foreign Currency Debt Securities	80,640	-	80,640	-	80,640
Ordinary shares of a bank outside Pakistan	17,652,778	17,652,778	-	-	17,652,778
	1,243,961.749	72,940.580	1,171,021.169	-	1,243,961.749

### Financial assets - disclosed but not measured at fair value

Cash and balances with treasury banks	249,259,590	-	-	-	-
Balances with other banks	14,227,355	-	-	-	-
Lending to financial institution	126,804,675	-	-	-	-
Investments					
Pakistan Investment Bonds	168,422,981	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Ordinary shares of unlisted companies	1,455,089	-	-	-	-
Market Treasury Bills	-	-	-	-	-
Foreign Government Securities	32,328,738	-	-	-	-
Foreign Currency Debt Securities	618	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,838	-	-	-	-
Bai muajjal with Government of Pakistan	11,641,133	-	-	-	-
Advances	983,254,527	-	-	-	-
Other assets	110,195,768	-	-	-	-
	1,697,598,312	-	-	-	-
	2,941,560,061	72,940,580	1,171,021,169	-	1,243,961,749

### Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	419,327,735	-	(2,918,017)	-	(2,918,017)
Forward government securities transactions	27,625,340	-	52,885	-	52,885

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----- (Rupeesin '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 instruments	134,780,010	-	-	-	-
Investments					
Market Treasury Bills	114,091,320	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Foreign Government Securities	29,600,343	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
Bai muajjal with Government of Pakistan	10,395,235	-	-	-	-
Advances	1,008,139,084	-	-	-	-
Other assets	164,280,512	-	-	-	-
	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

### 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

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 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:

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (property and equipment)	48,764,139	-	48,764,139	-	48,764,139
Non-banking assets acquired in satisfaction of claims	3,750,925	-	3,750,925	-	3,750,925
	<b>52,515,064</b>	<b>-</b>	<b>52,515,064</b>	<b>-</b>	<b>52,515,064</b>

	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
	<b>51,854,456</b>	<b>-</b>	<b>51,854,456</b>	<b>-</b>	<b>51,854,456</b>

### 43. SEGMENT INFORMATION

#### 43.1 Segment Details with respect to Business Activities

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

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

2020

	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Alteamaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
Rupees in '000										
<b>Profit and loss account</b>										
Net mark-up / return / profit	(76,417,139)	15,658,237	43,113,972	113,674,589	2,944,549	5,033,803	147,095	104,155,107	-	104,155,107
Inter segment revenue - net	127,171,107	(12,345,431)	(38,048,674)	(86,111,719)	-	(409,849)	9,744,567	-	-	-
Non mark-up / return / interest income	13,636,909	1,303,132	2,934,104	11,968,002	1,933,019	425,941	3,875,801	36,076,908	-	36,076,908
Total income	64,390,877	4,615,938	7,999,402	39,530,872	4,877,568	5,049,895	13,767,463	140,232,015	-	140,232,015
Segment direct expenses	28,602,759	2,177,142	906,172	366,426	6,337,022	2,542,000	405,695	41,337,217	-	41,337,217
Inter segment expense allocation	-	-	-	-	-	-	21,774,714	21,774,714	-	21,774,714
Total expenses	28,602,759	2,177,142	906,172	366,426	6,337,022	2,542,000	22,180,409	63,111,930	-	63,111,930
Provisions charge / (Reversal)	670,506	3,818,845	26,216,211	(202,726)	(484,011)	398,979	478,134	30,895,938	-	30,895,938
Profit / (loss) before tax	35,117,612	(1,380,048)	(19,122,981)	39,367,172	(975,444)	2,108,916	(8,891,080)	46,224,147	-	46,224,147
<b>Statement of financial position</b>										
Cash and bank balances	150,000,222	9,809,667	281,210	49,710,033	47,960,766	5,724,957	89	263,486,945	-	263,486,945
Investments	-	-	31,393,587	1,342,837,328	46,098,046	39,828,843	3,240,273	1,463,398,076	-	1,463,398,076
Net inter segment lending	1,716,041,623	-	-	-	-	-	195,071,897	1,911,113,520	(1,911,113,520)	-
Lendings to financial institutions	-	-	-	126,802,025	-	-	2,650	126,804,675	-	126,804,675
Advances - performing	232,021,162	128,340,996	538,861,528	-	43,633,881	37,546,863	8,175,184	988,579,614	-	988,579,614
Advances - non-performing (PSE)	4,007,870	22,497,098	47,548,441	-	42,345,094	602,913	54,292,716	171,294,133	-	171,294,133
Provision against advances	(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(602,913)	(54,713,725)	(176,619,220)	-	(176,619,220)
Advances - net	227,645,519	131,299,642	534,295,432	-	44,712,896	37,546,863	7,754,175	983,254,527	-	983,254,527
Others	24,462,197	1,626,569	22,588,501	366,297	3,972,925	4,959,963	113,606,305	171,582,758	-	171,582,758
<b>Total assets</b>	2,118,149,561	142,735,878	588,558,730	1,519,715,683	142,744,633	88,060,626	319,675,390	4,919,640,502	(1,911,113,520)	3,008,526,981
Borrowings	-	3,511,852	46,688,596	86,290,983	2,047,575	-	-	138,539,005	-	138,539,005
Deposits and other accounts	2,070,445,603	-	200,011,969	-	73,225,543	75,268,262	15,102	2,418,966,479	-	2,418,966,479
Net inter segment borrowing	-	136,108,152	323,788,034	1,377,549,547	63,868,561	9,799,226	-	1,911,113,520	(1,911,113,520)	-
Others	47,703,958	3,115,875	17,857,441	12,387,953	3,138,352	2,333,570	96,925,606	183,462,755	-	183,462,755
<b>Total liabilities</b>	2,118,149,561	142,735,878	588,346,040	1,476,228,483	142,280,030	87,401,058	96,940,708	4,652,081,759	(1,911,113,520)	2,740,968,239
Equity	-	-	212,690	43,487,200	464,603	659,569	222,734,682	267,558,742	-	267,558,742
<b>Total equity and liabilities</b>	2,118,149,561	142,735,878	588,558,730	1,519,715,683	142,744,633	88,060,626	319,675,390	4,919,640,502	(1,911,113,520)	3,008,526,981
Contingencies and commitments	573,019,328	-	1,046,103,666	-	20,577,429	-	35,553,685	1,675,254,109	-	1,675,254,109

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

2019 (Restated)									
(Rupees in '000)									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International Financial Institution and Remittance	Alteemad and Islamic Banking	Head Office / Others	Sub total	Total
<b>Profit and loss account</b>									
Net mark-up / return / profit	(83,637,534)	15,619,259	54,921,742	76,654,512	3,143,738	4,396,685	808,876	71,907,277	71,907,277
Inter segment revenue - net	148,346,359	(15,451,546)	(54,445,167)	(83,724,892)	-	(375,722)	5,650,967	-	-
Non mark-up / return / interest income	13,915,664	1,794,976	2,858,776	9,668,264	1,831,482	543,892	5,586,430	36,199,485	36,199,485
Total income	78,624,488	1,962,689	3,335,351	2,597,884	4,975,220	4,564,855	12,046,274	108,106,762	108,106,762
Segment direct expenses	28,523,599	2,350,847	801,063	310,208	4,276,639	2,601,428	441,720	39,305,505	39,305,505
Inter segment expense allocation	-	-	-	-	-	-	26,547,615	26,547,615	26,547,615
Total expenses	28,523,599	2,350,847	801,063	310,208	4,276,639	2,601,428	26,989,335	65,853,120	65,853,120
Provisions charge / (reversal)	1,881,924	922,825	8,030,099	1,899,416	(104,320)	(75,061)	1,695,392	14,250,275	14,250,275
Profit / (loss) before tax	48,218,965	(1,310,983)	(5,495,811)	388,260	802,901	2,038,488	(16,638,453)	28,003,367	28,003,367
<b>Statement of financial position</b>									
Cash and bank balances	163,574,415	12,045,241	238,501	82,716,513	42,748,449	4,410,976	91	305,734,186	305,734,186
Investments	-	-	38,801,666	1,316,800,220	61,079,182	29,811,516	3,062,714	1,449,555,297	1,449,555,297
Net inter segment lending	1,631,347,664	-	-	-	-	-	134,629,475	1,765,977,140	(1,765,977,140)
Lendings to financial institutions	-	-	-	132,718,198	-	2,059,162	2,650	134,780,010	134,780,010
Advances - performing	221,997,792	144,537,546	538,385,369	-	55,382,884	33,880,111	8,379,630	1,002,563,333	1,002,563,333
Advances - non-performing	3,166,450	17,309,704	32,196,797	-	41,049,352	203,934	54,825,480	148,751,717	148,751,717
Provision against Advances	(6,621,295)	(14,171,794)	(27,075,335)	-	(40,266,386)	(203,934)	(54,837,221)	(143,175,966)	(143,175,966)
Advances - net	218,542,947	147,675,456	543,506,831	-	56,165,850	33,880,111	8,367,889	1,008,139,084	1,008,139,084
Others	25,307,037	1,853,736	40,745,805	3,971,387	4,014,363	4,890,661	145,397,304	226,180,293	226,180,293
<b>Total assets</b>	2,038,772,064	161,574,432	623,292,803	1,536,206,318	164,007,844	75,052,426	291,460,123	4,890,366,010	3,124,388,870
Borrowings	1,695,414	-	30,388,706	400,759,524	38,913,708	-	-	471,757,352	471,757,352
Subordinated debt	-	-	-	-	-	-	-	-	-
Deposits and other accounts	1,972,722,005	-	76,371,345	-	85,487,723	63,285,897	182,311	2,198,049,281	2,198,049,281
Net inter segment borrowing	-	156,839,607	484,593,419	1,081,180,371	36,248,475	7,115,268	-	1,765,977,140	(1,765,977,140)
Others	64,354,645	4,734,825	31,794,954	17,079,796	1,988,871	3,875,565	98,139,748	221,968,404	221,968,404
<b>Total liabilities</b>	2,038,772,064	161,574,432	623,148,424	1,499,019,691	162,638,778	74,276,729	98,322,059	4,657,752,177	2,891,775,037
Equity	-	-	144,380	37,186,627	1,369,066	775,697	193,138,064	232,613,833	232,613,833
<b>Total equity and liabilities</b>	2,038,772,064	161,574,432	623,292,803	1,536,206,318	164,007,844	75,052,426	291,460,123	4,890,366,010	3,124,388,870
<b>Contingencies and commitments</b>	833,218,160	-	236,880,686	823,455,129	28,997,140	-	31,345,046	1,953,896,161	1,953,896,161

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 43.2 Segment details with respect to geographical locations

2020

	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
(Rupees in '000)						
Profit and loss account						
Net mark-up / return / profit	101,210,557	535,456	59,526	421,629	1,927,939	104,155,107
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,143,889	509,898	316,191	747,936	358,994	36,076,908
Total income	135,354,446	1,045,354	375,717	1,169,565	2,286,933	140,232,015
Segment direct expenses	35,000,194	1,598,976	793,919	3,173,426	770,701	41,337,216
Inter segment expense allocation	21,774,714	-	-	-	-	21,774,714
Total expenses	56,774,908	1,598,976	793,919	3,173,426	770,701	63,111,930
Provisions	31,379,949	(308,070)	(117,586)	(32,798)	(25,557)	30,895,938
Profit / (loss) before tax	47,199,589	(245,552)	(300,616)	(1,971,063)	1,541,789	46,224,147
Statement of financial position						
Cash and bank balances	215,526,179	17,402,929	10,399,385	19,076,487	1,081,965	263,486,945
Investments	1,417,300,030	29,778,074	-	2,927,816	13,392,156	1,463,398,076
Net inter segment lendings	63,868,561	-	-	-	-	63,868,561
Lendings to financial institutions	126,804,675	-	-	-	-	126,804,675
Advances - performing	944,945,732	1,891,261	574,741	1,680,370	39,487,510	988,579,614
Advances - non-performing	128,949,039	35,574,078	1,205,975	-	5,565,041	171,294,133
Provision against advances	(135,353,141)	(35,648,345)	(1,205,975)	(2,306)	(4,409,453)	(176,619,220)
Advances - net	938,541,630	1,816,994	574,741	1,678,064	40,643,098	983,254,527
Others	167,609,833	2,773,901	139,572	183,851	875,601	171,582,758
Total assets	2,929,650,909	51,771,898	11,113,698	23,866,218	55,992,820	3,072,395,542
Borrowings	136,491,430	1,240,487	-	-	807,088	138,539,005
Deposits and other accounts	2,345,740,936	35,384,936	7,278,305	9,204,947	21,357,355	2,418,966,479
Net inter segment borrowing	-	14,344,870	3,643,594	13,051,137	32,828,959	63,868,561
Others	180,324,403	801,605	191,798	1,556,773	588,176	183,462,755
Total liabilities	2,662,556,770	51,771,897	11,113,697	23,812,857	55,581,578	2,804,836,799
Equity	267,094,139	-	-	53,361	411,242	267,558,743
Total equity and liabilities	2,929,650,909	51,771,898	11,113,697	23,866,218	55,992,820	3,072,395,542
Contingencies and commitments	1,654,676,680	3,380,468	3,105,342	7,173,633	6,917,986	1,675,254,109



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2019 (Restated)					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
<b>Profit and loss account</b>						
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	303,358	579,091	575,517	36,199,484
Total Income	103,131,542	237,567	384,550	1,607,627	2,745,475	108,106,761
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	(165,238)	(5,771)	28,281	38,409	14,250,275
Profit / (loss) before tax	27,200,464	(1,174,748)	(330,180)	250,533	2,057,296	28,003,366
<b>Statement of financial position</b>						
Cash and bank balances	262,985,737	24,232,322	10,435,547	5,119,150	2,961,430	305,734,186
Investments	1,388,476,075	33,197,057	-	10,751,978	17,130,186	1,449,555,297
Net inter segment lendings	36,248,474	-	-	-	8,107,633	44,356,106
Lendings to financial institutions	134,780,010	-	-	-	-	134,780,010
Advances - performing	947,180,448	7,553,135	120,810	14,706,409	33,002,530	1,002,563,332
Advances - non-performing	107,702,366	34,471,816	1,168,349	-	5,409,187	148,751,718
Provision against Advances	(102,909,580)	(34,767,043)	(1,168,349)	(34,009)	(4,296,985)	(143,175,966)
Advances - net	951,973,234	7,257,908	120,810	14,672,401	34,114,731	1,008,139,084
Others	222,165,930	2,730,741	121,839	373,587	788,196	226,180,293
Total assets	2,996,629,460	67,418,029	10,678,196	30,917,116	63,102,176	3,168,744,976
Borrowings	432,843,644	1,825,928	-	2,322,714	34,765,066	471,757,352
Deposits and 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	67,418,030	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

#### 44. TRUST ACTIVITIES

##### 44.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with the major commercial banks with a view to extend financial help by way of mark-up free 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 National Bank of Pakistan, Habib Bank Limited, United Bank Limited, Muslim Commercial Bank, Allied Bank Limited and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEFD (Infra Structure Housing and 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. 785 million as at December 31, 2020 (2019: Rs. 758 million).

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

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

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

	2020										2019									
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.D.A.A)	Provident Fund	Other related parties	Rupees in '000									
Balances with other banks																				
In current accounts	-	-	-	-	2,951	-	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
	-	-	-	-	2,951	-	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
Advances																				
Opening balance	-	228,805	414,565	3,046,662	-	-	-	-	-	23,386,325	-	222,967	528,198	3,115,819	-	-	-	-	-	217,063
Addition during the year	-	64,850	-	-	-	-	-	-	-	115,824,347	-	74,615	1,299,367	-	-	-	-	-	-	11,246,254
Repaid during the year	-	(31,840)	(55,000)	(65,633)	-	-	-	-	-	(115,673,058)	-	(22,888)	(1,413,000)	(69,157)	-	-	-	-	-	(14,886,873)
Transfer in / (out) - net	-	(28,548)	-	-	-	-	-	-	-	(23,232,497)	-	(45,889)	-	-	-	-	-	-	-	26,819,881
Closing balance	-	233,267	359,565	2,981,029	-	-	-	-	-	305,117	-	228,805	414,565	3,046,662	-	-	-	-	-	23,386,325
Provision held against advances	-	-	284,565	2,837,287	-	-	-	-	-	-	-	-	284,565	2,827,375	-	-	-	-	-	-
Other Assets																				
Interest / mark-up accrued	-	-	233,641	1,720,157	-	-	-	-	-	-	-	-	204,443	1,725,222	-	-	-	-	-	-
Other receivable	-	-	-	-	-	-	-	-	-	-	-	-	78,982	-	-	-	-	-	-	-
	-	-	233,641	1,720,157	-	-	-	-	-	-	-	-	283,425	1,725,222	-	-	-	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings																				
Opening balance	-	-	-	-	279,814	-	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	241,566	-	-	-	-	-
Settled during the year	-	-	-	-	(270,703)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	9,111	-	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
Deposits and other accounts																				
Opening balance	3,835	94,715	1,522,792	-	-	73	-	1,235,120	13,296,883	40,416,083	10,732	80,688	1,120,160	-	-	1,085	11,100,000	458,328	12,465,939	-
Received during the year	8,672	713,917	261,901	-	-	47,037,983	-	3,054,527	1,941,908	708,790	23,314	625,431	403,078	-	-	45,832,581	-	11,785,192	2,246,185	273,688,395
Withdrawn during the year	(11,228)	(620,573)	(230,984)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)	(22,146)	(591,564)	(446)	-	-	(45,833,593)	(11,100,000)	(1,415,241)	(278,409,470)	-
* Transfer in / (out) - net	41	(10,823)	-	-	-	-	-	-	-	(40,290,295)	(8,065)	(19,840)	-	-	-	-	-	-	-	45,156,158
Closing balance	1,320	177,236	1,553,709	-	-	58,871	-	1,369,644	13,282,016	204,446	3,835	94,715	1,522,792	-	-	73	-	1,235,120	13,296,883	40,416,083
Other Liabilities																				
Other payables to subsidiaries	-	-	4,308	-	-	-	-	-	-	-	-	-	7,396	-	-	-	-	-	-	-
	-	-	4,308	-	-	-	-	-	-	-	-	-	7,396	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,463,085

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

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020						2019							
	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)														
<b>Income</b>														
Mark-up / return / interest earned	-	20,827	-	9	-	-	-	-	13,672	-	112	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	15,755	-	-	-	-	-	-	1,860,682
Fee and commission income	-	683	-	-	-	-	-	-	2,131	-	-	-	-	-
Dividend income	-	77,368	-	-	-	-	-	-	51,300	6,000	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	29,963	4,637	-	-	-	19,447	-	36,563	4,637	-	-	-	15,558
<b>Expense</b>														
Mark-up / return / interest paid	-	33,124	-	303	108,346	1,441,640	4,012	-	29,672	-	780	204,666	1,690,456	4,345,823
Expenses paid to company in which Director of the bank is interested as CEO	-	-	-	-	-	-	10,712	-	-	-	-	-	-	6,096
Commission paid to subsidiaries	-	4,661	-	-	-	-	-	-	2,878	-	-	-	-	-
Remuneration to key management executives including charge for defined benefit plan	546,300	-	-	-	-	-	-	459,257	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	2,087	-	-	-	-	-	-	2,087

### 45.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 9,653 million (2019: 9,958 million) for the year ended December 31, 2020. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 337,572 million (2019: 377,158 million), Rs. 932,317 million (2019: 840,064 million) and Rs. 948,335 million (2019: 876,232 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 40,908 million (2019: 30,498 million) and Rs. 64,149 million (2019: 50,926 million) respectively.

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 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 are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

#### i. Minimum Capital Requirement (MCR):

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

#### ii. Capital Adequacy Ratio:

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 11.50% (plus 2.0% for NBP as D-SIB requirement).

#### iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The Bank has a leverage ratio of 4.06% in the year December 31, 2020 (2019 : 3.36%) and Tier-1 capital of Rs. 172,896 million (2019: Rs. 142,716 million).

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

#### 1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1
- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

#### 2. Tier 2 Capital (gone-concern capital)

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

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

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

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

The paid-up capital of the Bank for the year ended December 31, 2020 stood at Rs. 21,275 billion (2019: 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 19.78% (2019: 15.48%).

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, 2020

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>Minimum Capital Requirement</b>		
Paid-up capital	193,859,398	162,369,773
<b>Capital Adequacy Ratio</b>		
Eligible Common Equity Tier 1 Capital	172,896,361	142,716,150
Eligible Additional Tier 1 Capital	-	-
Total Eligible Tier 1 Capital	172,896,361	142,716,150
Eligible Tier 2 Capital	55,224,098	39,816,053
Total Eligible Capital (Tier 1 + Tier 2)	228,120,459	182,532,203
Risk Weighted Assets		
Credit Risk	858,263,350	913,568,310
Market Risk	87,765,828	91,752,716
Operational Risk	207,071,580	173,619,541
Total	1,153,100,759	1,178,940,567
Common Equity Tier 1 Capital Adequacy ratio	14.99%	12.11%
Tier 1 Capital Adequacy Ratio	14.99%	12.11%
Total Capital Adequacy Ratio	19.78%	15.48%
<b>Leverage Ratio</b>		
Tier-1 Capital	172,896,361	142,716,150
Total Exposures	4,256,253,296	4,252,343,911
Leverage Ratio	4.06%	3.36%
<b>Liquidity Coverage Ratio</b>		
Total High Quality Liquid Assets	1,200,257,790	890,965,256
Total Net Cash Outflow	666,722,922	603,741,462
Liquidity Coverage Ratio	180%	148%
<b>Net Stable Funding Ratio</b>		
Total Available Stable Funding	2,309,310,465	2,040,913,906
Total Required Stable Funding	901,126,786	875,207,068
Net Stable Funding Ratio	256%	233%

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/>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 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.

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. Fraud risk management has also been made a part of RMG under the umbrella of Operational and Fraud Risk Management Division.

#### 47.1 Risk Governance Structure

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

The Bank's Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to 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. Management Credit Committee (MCC), Enterprise Risk Committee (ERC), ALCO etc. are responsible to ensure implementation of risk management framework.

#### 47.2 Risk Management Framework

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

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

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

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

#### 47.2.1 Credit Risk

Credit risk is the risk of loss resulting from the decline in credit quality or possibility that a obligor or counterparty may not honor on its contractual obligations to the Bank in accordance with agreed terms. NBP's lending activities account for most of the Bank's credit risk. Credit risk is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. The Bank has a dedicated setup lead by Chief Risk Officer that ensures the effectiveness of the frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

The Bank has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to ascertain the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various industry segments. Due to COVID-19, it is expected that credit off-take to remain restricted in the coming months as supply chains adjust to the economic impacts. The Risk Management function of the Bank is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Bank 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 / economic group, the Bank also has an Internal Ratings System / Model based on multiple risk factors. The model coupled with Cash Flow Analysis Memorandum provides an understanding of obligors' 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, economic group, or industry is assessed frequently and accordingly limit setting is tailored.

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

##### 47.2.1.1 Lendings to financial institutions

##### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public / Government	-	2,059,162	-	-	-	-
Private	126,980,825	132,896,998	176,150	176,150	176,150	176,150
	126,980,825	134,956,160	176,150	176,150	176,150	176,150



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 47.2.1.2 Investment in debt securities

#### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Cement	470,168	19,453	20,168	19,453	20,168	19,453
Chemical	2,073,812	2,073,812	323,812	323,812	323,812	323,812
Construction	3,885,490	3,885,489	1,633,738	1,633,738	1,633,738	1,633,738
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,040,960	1,425,089	656,831	656,831	656,831	656,831
Sugar	766,719	785,469	766,719	785,469	766,719	572,385
Textile	1,151,054	1,151,768	651,054	651,768	651,054	651,768
Transport	-	2,803,718	-	-	-	-
Financial	9,658,543	9,344,916	210,020	90,887	141,691	82,127
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Leather and Tenneries	5,288	5,287	5,288	5,288	5,288	5,288
Food and Personal Care Products	11,184	11,184	11,184	11,184	11,184	11,184
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology and Communication	11,072	11,072	11,072	11,072	11,072	11,072
Vanaspati and Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil and Gas Marketing	687	95,986	687	686	687	686
Cable and Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts and Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	37,903,094	35,464,521	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper and Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,081	7,081
Metal Products	500,000	500,000	-	-	-	-
Services	890,258	950,000	-	-	-	-
Miscellaneous	891,092	787,524	25,992	25,992	25,991	25,992
	60,614,725	60,670,593	5,671,871	5,571,484	5,603,540	5,349,640

#### Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public / Government	31,810,714	32,463,359	7,620	7,620	7,620	7,620
Private	28,804,011	28,207,234	5,664,251	5,563,864	5,595,920	5,342,020
	60,614,725	60,670,593	5,671,871	5,571,484	5,603,540	5,349,640

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 47.2.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	63,054,331	59,016,306	6,204,022	5,565,495	4,514,299	4,133,877
Mining and Quarrying	282,368	2,079,833	117,449	870,598	117,449	465,220
Textile	132,701,566	130,556,474	37,427,234	35,115,055	35,611,823	33,826,039
Chemical and Pharmaceuticals	4,033,024	3,698,135	2,645,492	2,789,583	2,634,249	2,781,935
Cement	33,124,120	28,285,797	6,311,377	4,177,487	4,093,767	2,466,565
Sugar	35,237,473	34,366,817	15,335,077	14,392,989	14,335,087	12,666,718
Footwear and Leather garments	2,461,054	2,095,757	840,449	847,135	840,114	846,235
Automobile and Transportation Equipment	6,607,421	8,711,039	971,267	959,014	966,887	959,014
Electronics and Electrical Appliances	10,036,223	7,204,298	2,232,278	2,234,231	2,223,278	2,222,981
Construction	12,258,203	12,242,713	4,484,629	5,323,770	4,481,950	5,304,434
Power (electricity), Gas, Water, Sanitary	283,229,240	289,464,374	13,202,534	5,434,940	11,271,966	4,448,807
Wholesale and Retail Trade	36,564,735	36,169,269	13,444,060	10,710,483	12,012,696	10,437,288
Exports / Imports	1,687,703	1,486,667	-	68,583	-	68,583
Transport, Storage and Communication	55,176,592	56,126,165	11,249,115	10,091,004	9,169,761	7,925,250
Financial	6,093,650	40,693,010	308,375	294,380	308,375	294,380
Services	32,839,062	14,100,214	4,452,760	1,958,137	2,606,881	1,516,649
Individuals	184,020,751	170,824,005	5,900,196	6,086,261	4,088,882	4,181,677
Fertilizer	15,733,123	20,813,179	2,947,639	2,885,878	2,888,738	2,860,734
Metal Products	67,313,392	67,474,262	25,111,134	23,353,861	24,557,341	22,345,884
Telecommunication	17,064,247	16,307,814	1,159,350	1,135,662	1,159,350	1,135,662
Public Sector Commodity Operations	62,413,440	66,638,547	74,198	73,785	74,198	73,785
Rice processing and Trading	30,685,877	26,950,629	4,665,312	4,575,187	4,537,360	4,494,866
Food and Tobacco	13,995,035	11,927,347	5,224,085	3,862,399	5,200,684	3,336,685
Glass and Ceramics	6,859,290	5,043,655	396,911	423,641	396,911	423,641
Paper and Board	1,601,970	1,820,422	1,187,897	953,829	1,187,897	655,672
Engineering	33,444,437	24,966,577	1,416,959	1,423,696	1,410,274	1,421,196
Plastic Products	2,627,648	2,737,171	651,199	666,403	648,950	488,349
Media	2,189,495	2,222,899	718,124	151,457	293,124	151,457
Flour Mills	2,713,759	3,357,250	638,998	597,580	624,012	551,860
Sports Goods	978,994	727,511	93,818	93,818	93,818	87,818
Surgical equipments	827,764	802,049	64,674	-	64,674	-
Others	2,017,760	2,404,864	1,817,521	1,635,376	1,730,678	1,596,755
	1,159,873,747	1,151,315,050	171,294,133	148,751,717	154,145,473	134,170,016

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public / Government	337,572,330	377,158,182	2,672,432	2,522,432	2,522,432	2,522,432
Private	822,301,417	774,156,868	168,621,701	146,229,285	151,623,041	131,647,584
	1,159,873,747	1,151,315,050	171,294,133	148,751,717	154,145,473	134,170,016

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	(Rupees in '000)	
<b>47.2.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, Forestry, Hunting and Fishing	170,777	235,536
Mining and Quarrying	2,504,361	3,000
Textile	15,458,896	9,792,996
Chemical and Pharmaceuticals	9,627,728	14,507,473
Cement	4,233,715	10,121,549
Sugar	303,809	742,270
Footwear and Leather garments	102	10,928
Automobile and Transportation Equipment	8,508,034	1,979,186
Electronics and Electrical Appliances	2,959,697	2,154,502
Construction	9,036,263	9,697,086
Power (electricity), Gas, Water, Sanitary	112,020,726	159,559,087
Wholesale and Retail Trade	1,625,599	1,555,095
Exports / Imports	317,066	27,996
Transport, Storage and Communication	24,687,098	17,513,951
Financial	611,642,230	901,993,463
Services	785,767,094	746,058,170
Individuals	394,092	264,219
Fertilizer	1,395,322	3,853,225
Metal Products	9,763,519	2,365,866
Telecommunication	15,036,956	15,745,882
Public Sector Commodity Operations	12,565,661	1,095,352
Rice processing and Trading	39,174	44,951
Food and Tobacco	404,142	687,387
Glass and Ceramics	1,007,344	1,553,100
Paper and Board	551,970	551,120
Engineering	42,650,308	48,284,197
Plastic Products	268,729	142,657
Flour Mills	5,993	19,352
Surgical equipments	750	750
Others	2,306,954	3,335,815
	<b>1,675,254,109</b>	<b>1,953,896,161</b>

\* 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	948,334,918	876,232,352
Private	726,919,191	1,077,663,809
	<b>1,675,254,109</b>	<b>1,953,896,161</b>

### 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. 1,093,518 million (2019: Rs.1,036,638 million) are as follows:

	2020	2019
	(Rupees in '000)	
Funded	250,314,704	238,481,635
Non Funded	843,203,477	798,156,427
Total Exposure	<b>1,093,518,181</b>	<b>1,036,638,062</b>

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,280,786 million (2019: Rs. 1,073,636 million)

### Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	(Rupees in '000)			
Loss	2,522,432	2,522,432	2,522,432	2,522,432
Total	<b>2,522,432</b>	<b>2,522,432</b>	<b>2,522,432</b>	<b>2,522,432</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 47.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

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

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	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	5,217,455

### 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, 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 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.

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 47.2.2.1 Statement of Financial position split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)			(Rupees in '000)		
Investments	1,366,741,891	96,656,185	1,463,398,076	1,413,462,528	36,092,769	1,449,555,297
	1,366,741,891	96,656,185	1,463,398,076	1,413,462,528	36,092,769	1,449,555,297

### 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.

	2020				2019			
	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)				(Rupees in '000)			
United States Dollar	157,851,413	249,296,809	115,299,103	23,853,707	154,514,963	281,623,669	141,330,602	14,221,896
Great Britain Pound	4,236,309	5,613,790	3,235,840	1,858,360	4,369,802	6,303,626	6,257,773	4,323,949
Japanese Yen	4,077,289	1,123,760	168,624	3,122,153	5,137,117	1,304,374	(1,973,457)	1,859,286
Euro	8,364,855	10,043,967	3,462,911	1,783,798	8,456,085	9,416,285	6,608,767	5,648,567
Other currencies	65,494,170	20,499,909	2,996,887	47,991,148	73,993,469	27,220,404	4,171,279	50,944,344
	240,024,036	286,578,235	125,163,365	78,609,166	246,471,436	325,868,358	156,394,965	76,998,042

Impact of 1% change in foreign exchange rates

- Profit and loss account
- Other comprehensive income

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)		(Rupees in '000)	
	-	-	-	-
	-	2,917	-	5,612

### 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.

- Impact of 5% change in equity prices
- Profit and loss account
  - Other comprehensive income

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)		(Rupees in '000)	
	-	-	-	2,816
	3,065,915	-	2,560,070	-



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

#### 47.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRB)-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.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
(Rupees in '000)				
-	-	131,186	-	175,771
12,955,285			14,259,122	-

### Impact of 1% change in interest rates

- Profit and loss account
- Other comprehensive income

#### 47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	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	
Total						Over 5 to 10 Years
On-balance sheet financial instruments						Above 10 Years

(Rupees in '000)

### On-balance sheet financial instruments

[illegible]

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

2019 (Restated)											
Effective Yield/ Interest rate	Exposed to Yield/ Interest risk										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
(Rupees in '000)											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	292,513,379	32,224,427	599,716	796,971	569,701	-	-	-	-	-	258,322,564
Balances with other banks	13,220,807	4,443,852	1,202,496	435,643	662,730	-	-	-	-	-	6,476,086
Lendings to financial institutions	134,780,010	132,680,048	2,099,962	-	-	-	-	-	-	-	-
Investments	1,449,555,297	5,828,067	53,401,368	14,695,312	737,298,216	185,955,357	85,224,162	97,554,750	186,426,924	13,494,958	69,676,183
Advances	1,008,139,084	258,873,260	353,412,778	177,991,773	48,724,169	24,384,306	31,460,521	65,056,292	29,993,575	17,065,764	1,176,645
Other assets	84,357,259	-	-	-	-	-	-	-	-	-	84,357,259
	2,982,565,836	434,049,653	410,716,320	193,919,699	787,254,816	210,339,663	116,684,683	162,611,042	216,420,498	30,560,722	420,008,737
Liabilities											
Bills payable	19,867,424	-	-	-	-	-	-	-	-	-	19,867,424
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	2,198,049,280	1,139,047,129	72,567,558	28,086,714	41,282,402	7,002,425	5,387,496	10,129,767	180,000	-	894,365,790
Liabilities against assets subject to finance lease	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	180,137,240	-	-	-	-	-	-	-	-	-	180,137,239
	2,877,451,484	1,518,884,687	110,295,905	501,96,071	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)	300,420,415	143,723,629	722,574,323	202,118,096	107,604,335	147,880,730	210,705,104	29,284,470	(674,361,715)
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		(1,055,087,719)	367,296,222	172,727,766	733,271,430	202,118,096	107,604,335	147,880,730	210,705,104	29,284,470	263,254,920
Cumulative Yield / Interest Risk Sensitivity Gap		(1,055,087,719)	(688,791,497)	(516,063,731)	217,207,698	419,325,795	526,930,130	674,810,860	885,515,964	914,800,434	1,178,055,353
Reconciliation of Financial Assets & Liabilities with Total Assets & Liabilities											
47.2.2.6											
Total Financial Assets as per note 46.2.2.5											
Add: Non-Financial Assets											2,982,565,837
Fixed Assets											54,413,493
Intangible Assets											303,813
Right of Use Assets											6,669,684
Other Assets											51,165,525
											112,552,515
											3,008,526,981
Total assets as per statement of financial position											2,982,565,837
Total Financial Liabilities as per note 46.2.2.5											
Add: Non-Financial Liabilities											2,877,451,484
Deferred Tax Liabilities											2,978,364
Other Liabilities											2,236,619
											5,214,983
											2,740,968,238
Total liabilities as per statement of financial position											2,891,775,037



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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

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

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

The Bank implemented a Business Continuity Plan (BCP). The Bank communicated the plan with its customers on how they can connect with the Bank through its digital and online channels. The Bank continued to take measures to ensure the maintenance of their service levels, customer complaints were resolved, in order for the Bank to meet the expectations of its stakeholders.

The Bank's operations stayed highly resilient, almost more than 95% branches remained open to facilitate its customers. Further, the Bank deployed all necessary measures for the health and safety of its employees to prevent them from the pandemic situation.

### 47.2.4 Information Security Risk

We rank cyber security as one of our top priority risks. Our extensive customer base and increasing focus on information technology growth, mean that our data is protected and our systems are safe. Further, due to COVID - 19, the Bank has taken appropriate actions to monitor and respond to ever evolving cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented. We have governance mechanisms in place to develop, deploy and monitor information security policies, internal controls and cyber security framework across our businesses.

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

### 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), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behavior of country's market and economic conditions, whether in isolation or in combinations are covered under the Bank-wide Recovery Plan. These risks are

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

monitored on certain frequency and corrective actions are taken as and when deemed necessary.

The Bank has also prepared various scenarios and accordingly quantified losses against different types of risks based on sophisticated statistical models, such as, macro-stress testing - a regression based methodology. This is developed and implemented by the Bank assuming deterioration in macro-economic factors that measures any negative impact on the capital of the Bank.

#### 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, bank has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central Banks inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses 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.

Asset and Liability Committee (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. Moreover the recent fall in interest rate has resulted in substantial MTM gain in Government Securities portfolio, which can be realized in case of any adverse liquidity situation.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2020

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

2020

	Total	Up to 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
<b>Assets</b>														
Cash and balances with treasury banks	245,259,590	244,470,420	724,224	-	489,997	-	159,852	-	308,490	3,574,949	-	-	-	-
Balances with other banks	14,227,355	9,074,765	1,988,132	-	1,643,639	205,127	-	-	-	381,940	-	-	-	-
Lending to financial institutions	126,804,675	-	122,804,675	2,300,000	-	-	-	-	-	-	-	-	-	-
Investments	1,463,398,076	6,348,903	602,861	128,305,403	30,179,598	230,232,181	236,617,171	45,510,297	113,118,951	39,082,357	97,645,814	157,346,393	125,301,464	252,706,784
Advances	983,254,527	334,192,443	1,929,530	3,454,238	32,300,740	59,593,625	16,337,194	60,035,942	30,309,223	30,130,411	41,688,685	78,211,159	157,289,258	137,732,079
Fixed assets	54,413,493	-	-	-	-	-	-	-	724,254	724,254	2,878,438	724,254	1,322,411	48,764,136
Intangible assets	303,813	-	-	-	-	-	-	-	-	101,271	101,271	101,271	-	-
Right of Use Assets	6,669,844	-	-	-	201	14,649	5,276	50,071	29,405	66,557	625,524	583,369	1,528,327	3,766,303
Other assets	110,195,768	16,963,066	-	-	17,934,892	18,138,013	10,887,402	1,204,142	1,204,142	38,014,615	38,014,615	3,351,081	2,500,415	-
	3,006,526,381	611,049,597	128,059,442	134,059,641	66,314,175	307,980,474	271,255,507	117,339,103	144,970,211	75,265,880	180,934,347	240,387,427	287,941,875	442,969,302
<b>Liabilities</b>														
Bills payable	16,795,186	16,795,186	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	138,539,005	1,966,540	-	5,265,007	3,455,970	4,727,114	6,265,632	56,308,794	41,474,224	1,042,206	2,392,766	3,509,357	6,420,414	5,108,791
Deposits and other accounts	2,418,966,479	2,068,191,047	23,189,506	11,128,935	103,011,653	51,070,288	13,467,529	66,056,859	20,877,326	18,483,104	12,454,175	8,477,921	21,086,963	1,471,174
Liabilities against assets subject to right of use assets	7,533,691	-	-	-	41	15,141	6,349	57,673	25,319	71,406	804,940	662,691	1,762,736	4,127,395
Deferred tax liabilities	2,978,364	-	-	-	-	-	-	-	-	-	-	-	2,978,364	-
Other liabilities	156,155,514	61,589,642	399,647	280,904	420,804	9,300,464	24,852,920	15,226,657	1,210,882	1,141,620	15,947,785	5,339,632	10,377,940	10,076,617
	2,740,968,239	2,148,542,415	23,579,152	16,675,846	106,869,468	65,113,007	44,893,430	138,249,973	63,587,751	20,798,336	31,599,666	17,989,801	42,626,417	20,783,977
	267,558,742	(1,537,492,818)	104,480,290	117,383,795	(40,574,293)	242,867,467	226,662,077	(20,910,870)	81,382,460	54,527,544	149,334,681	222,397,626	245,315,468	422,185,325
<b>Net assets</b>														
Share capital	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	56,592,933	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	116,021,334	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	73,699,344	-	-	-	-	-	-	-	-	-	-	-	-	-
	267,558,742	-	-	-	-	-	-	-	-	-	-	-	-	-

2019 (Restated)

	Total	Up to 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
<b>Assets</b>														
Cash and balances with treasury banks	292,513,379	290,465,424	81,567	-	598,716	-	796,971	-	281,610	589,701	-	-	-	-
Balances with other banks	13,220,807	6,476,086	1,423,017	-	867,922	464,864	435,643	-	381,120	381,120	-	-	-	-
Lending to financial institutions	134,780,010	-	131,180,048	-	1,500,000	2,099,962	-	-	-	-	-	-	-	-
Investments	1,449,555,297	3,330,495	-	1,302,749	5,524,167	5,524,167	14,695,312	523,558,573	25,081,682	25,081,682	189,531,577	104,055,918	98,526,197	204,352,804
Advances	1,008,139,084	314,292,542	3,578,494	1,604,893	47,977,155	47,920,373	33,973,951	76,553,146	58,168,112	27,683,786	36,951,889	53,627,055	177,824,829	128,735,080
Fixed assets	54,303,965	-	-	-	-	-	-	-	-	740,557	2,894,729	740,557	1,388,116	48,569,604
Intangible assets	374,950	-	-	-	-	-	-	-	-	124,983	124,984	124,984	-	-
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	164,280,512	25,006,655	-	-	28,301,015	28,510,932	13,959,979	1,909,998	1,909,998	1,909,998	53,286,398	9,235,259	2,160,277	-
	3,124,388,870	639,571,222	136,283,126	5,060,354	51,663,757	84,522,908	111,100,810	106,180,114	584,337,006	286,491,721	285,083,097	186,475,419	281,920,919	386,118,218
<b>Liabilities</b>														
Bills payable	19,867,424	19,867,424	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	471,757,352	3,468,570	-	5,715,707	55,955,355	13,787,296	23,926,202	22,070,344	22,981,161	343,720	883,586	2,927,955	2,908,254	2,111,350
Deposits and other accounts	2,198,049,281	1,836,033,658	16,492,044	9,565,893	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	15,073,276	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	331,753,663	15,687,822	169,879,667	85,186,690	66,092,778	75,665,225	59,628,994	29,071,735	31,208,171	22,380,061	45,345,559	21,413,100
	232,613,833	(1,298,891,352)	(195,480,536)	(10,627,267)	(118,215,910)	(662,782)	45,008,032	30,514,889	524,708,011	257,419,966	251,874,927	146,095,358	236,175,380	364,705,118
<b>Net assets</b>														
Share capital	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	52,308,742	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	86,785,900	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	70,244,060	-	-	-	-	-	-	-	-	-	-	-	-	-
	232,613,833	-	-	-	-	-	-	-	-	-	-	-	-	-

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

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

		2020									
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		(Rupees in '000)									
<b>Assets</b>											
Cash and balances with treasury banks		249,259,590	149,866,293	1,763,659	45,629,218	49,204,166	2,796,254	-	-	-	-
Balances with other banks		14,227,355	12,716,556	364,979	455,390	690,430	-	-	-	-	-
Lending to financial institutions		126,804,675	126,804,675	-	-	-	-	-	-	-	-
Investments		1,463,398,076	165,436,765	466,849,352	45,910,297	152,201,308	97,645,814	157,346,293	125,301,464	237,876,475	14,830,309
Advances		983,254,527	303,934,725	149,304,778	55,843,636	59,201,007	41,668,685	78,281,159	157,288,456	86,006,957	51,725,124
Fixed assets		54,413,493	-	-	-	724,254	2,878,438	724,254	1,322,411	-	48,764,136
Intangible assets		303,813	-	-	-	101,271	101,271	101,271	-	-	-
Right of Use Assets		6,669,684	201	19,924	50,071	95,963	625,524	583,369	1,528,327	2,628,348	1,137,957
Other assets		110,195,768	37,069,234	17,542,509	9,309,630	2,408,285	38,014,615	3,351,081	2,500,414	-	-
		3,008,526,981	795,828,449	635,845,201	157,198,242	264,626,684	183,730,601	240,387,427	287,941,072	326,511,780	116,457,526
<b>Liabilities</b>											
Bills payable		16,795,186	8,784,880	499,727	6,439,082	194,485	877,012	-	-	-	-
Borrowings		138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,767	3,509,557	6,420,414	5,108,790	-
Deposits and other accounts		2,418,966,479	691,675,247	118,540,644	338,032,867	336,495,938	309,364,692	305,388,438	317,997,480	1,471,173	-
Liabilities against assets subject to right of use assets		7,533,691	41	21,491	57,673	96,726	804,940	662,691	1,762,736	2,838,255	1,289,138
Deferred tax liabilities		2,978,364	-	-	-	-	-	-	2,978,364	-	-
Other liabilities		156,155,514	57,220,072	38,310,849	15,603,234	3,279,386	15,947,785	5,339,632	10,377,940	5,038,308	5,038,308
		2,740,968,239	768,368,757	168,366,457	417,041,640	382,592,965	329,387,196	314,900,318	339,536,934	14,456,526	6,327,446
<b>Net assets</b>		267,558,742	27,459,692	467,478,744	(259,843,398)	(117,966,281)	(145,656,595)	(74,512,891)	(51,596,862)	312,055,254	110,130,080
Share capital		21,275,131									
Reserves		56,562,933									
Unappropriated profit		116,021,334									
Surplus/(Deficit) on revaluation of assets		73,699,344									
		267,558,742									
<b>Assets</b>											
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		134,780,010	132,680,048	2,099,962	14,695,312	779,040,255	189,531,577	104,055,918	98,526,197	186,426,924	17,925,879
Investments		1,449,555,298	5,951,866	53,401,368	58,627,787	84,406,442	36,851,889	53,626,735	177,824,629	87,170,265	41,561,943
Advances		1,008,139,084	301,060,066	167,009,328	58,627,787	740,557	2,854,729	740,557	1,398,116	-	48,569,604
Fixed assets		54,303,565	-	-	-	124,983	124,983	124,984	-	-	-
Intangible assets		374,950	-	-	-	-	-	-	-	-	-
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		164,280,512	50,983,387	32,929,712	11,865,483	3,819,995	53,286,398	9,235,259	2,160,277	-	-
		3,124,388,870	666,491,591	259,895,120	144,283,675	927,256,686	290,348,414	168,475,119	281,520,919	276,867,453	109,249,892
<b>Liabilities</b>											
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	109,953,653	270,008,867	321,715,872	270,687,403	273,115,486	284,480,259	1,586,471	-
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	-	-	-	-	-	-	6,428,962	4,486,840	-
Other liabilities		183,544,990	68,039,376	53,594,960	19,033,157	2,823,639	18,239,151	4,509,248	8,773,318	4,264,070	4,264,070
		2,891,775,037	1,123,806,227	201,855,971	311,356,273	356,179,088	291,563,711	281,317,586	304,283,083	15,872,776	5,540,323
<b>Net assets</b>		232,613,833	(457,314,635)	58,039,149	(167,072,598)	571,077,598	(1,215,297)	(112,842,466)	(22,762,164)	260,994,677	103,709,569
Share capital		21,275,131									
Reserves		52,308,742									
Unappropriated profit		88,785,900									
Surplus/(Deficit) on revaluation of assets		70,244,060									
		232,613,833									

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 47.2.7 Derivative Risk

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

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivative 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 (2019: Rs. Nil per share) amounting to Rs. Nil (2019: Rs. Nil) at its meeting held on February 24, 2021 for approval of the members at the annual general meeting to be held on March 29, 2021. These unconsolidated financial statements do not reflect this appropriation as explained in note 5.20.

### 49. CORRESPONDING FIGURES

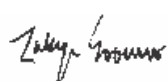
Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

### 50. GENERAL

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

### 51. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated financial statements were authorized for issue on February 24, 2021 by the Board of Directors of the Bank.



**Zubyr Soomro**  
Chairman



**Arif Usmani**  
President & CEO



**Abdul Wahid Sethi**  
Chief Financial Officer



**Imam Bakhsh Baloch**  
Director



**Asif Jooma**  
Director

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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, 2020

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				
1	Altat Hussain Mohallan Raj Ghaat Suraj Miani Multan	3	4	5	6	7	8	9	10	11	12
1	Altat Hussain 36302-6946741-1	Altat Hussain 36302-6946741-1	Wahid Bukhsh	1,154	85	-	1,239	1,154	-	-	1,154
2	Khalid Mahmood Mohri Pur, PO, Khass, Kabirwala	Khalid Mahmood 36102-1203646-7	Malik Khadim Hussain	593	226	-	819	593	-	-	593
3	Syed Mutee Ullah Shah Near Railway Phatak Chah Bakhi wala, Mirali wahan, shujaabad	Syed Mutee Ullah Shah 36304-1352078-9	Ghulam Nabi Shah	737	-	-	737	737	-	-	737
4	Muhammad Akhtar SO Muhammad Shafi, Mohallah Saddiq Pura Marawal	Muhammad Akhtar 34501-2010714-9	Muhammad Shafi	513	-	-	513	513	-	-	513
5	Late Hafiz Nazar Ali Latif Colony Rahmatpur Muhalla Dist Larkana	Late Hafiz Nazar Ali 43203-7490491-1	Ali Murad Mastoi	1,600	-	-	1,600	1,600	-	-	1,600
6	Late Deedar Ali S/O Muhammad Khan Village meer Khan PO Qubo Saeed Khan Dist Kambar Shahdadkot	Late Deedar Ali 43206-2090547-9	Muhammad Khan	1,272	-	-	1,272	1,272	-	-	1,272
7	Late Sultan Ahmed S/O Bahram Khan Muhalla Misri Shah PO Shahdadkot Dist:Kamver Shahdadkot	Late Sultan Ahmed 43406-0364231-5	Bahram Khan	1,054	-	-	1,054	1,054	-	-	1,054
8	Late Muhammad Akbar S/O Mirza Khan Jagirani Village Haut Dahoot taluka Kambar Dist: Kambar Shahdadkot	Late Muhammad Akbar 43203-9191745-9	Mirza Khan Jagirani	701	-	-	701	702	-	-	702
9	Late Qamaruddin S/O Moor Khan Jiho Village Wasand Jeho PO Khan Waha Wasand Jeho Ratodero Dist Larkana	Late Qamaruddin 43205-4474253-7	Moor Khan Jiho	612	-	-	612	612	-	-	612
10	Late Ghulam Hyder S/O Nabi Bux Solangi Shaki Sulman Shah Colony Bharseedabad Taluka Sehwan	Late Ghulam Hyder 41206-5183938-7	Nabi Bux Solangi	779	-	-	779	779	-	-	779
11	Late Shabir Ahmed S/O Mehar Khan Mashori Village Mehrani Taluk Dokri Dist Larkana	Late Shabir Ahmed 43201-6119252-1	Mehar Khan Mashori	600	-	-	600	600	-	-	600
12	Late Muhammad Bux S/O Gul Hassan Shaikh Allah Abad Muhalla Bakrani Road Larkana	Late Muhammad Bux 43203-6881404-5	Gul Hassan Shaikh	612	-	-	612	612	-	-	612
13	Late Khalid Akber S/O Ghulam Akber Near Petrol Pump Lahori Muhalla Larkana	Late Khalid Akber 43203-4663692-5	Ghulam Akber	752	-	-	752	752	-	-	752
14	Late Muhammad Sharif S/O Qurban Ali Qureshi R/O Shahbaz Colony Khairpur Nathan Shah	Late Muhammad Sharif 41203-1684038-7	Qurban Ali Qureshi	649	-	-	649	649	-	-	649
15	Late Muhammad Uris S/O Ali Bux Khoso Mir Pur Muhalla K.N Shah	Late Muhammad Uris 41203-8342097-7	Ali Bux Khoso	944	-	-	944	944	-	-	944
16	Late Muhammad Sadique S/O Nek Muhammad Village Nek Muhammad Khusheli, Taluka Dokri	Late Muhammad Sadique 43201-5697388-9	Nek Muhammad	578	-	-	578	578	-	-	578
17	Late Rehmutullah S/O Khuda Bux Village Abdul Haq Khan Khoso PO Behram Sitt Kambar Shahdadkot	Late Rehmutullah 43204-6997069-9	Khuda Bux	650	-	-	650	650	-	-	650
18	Late Qurban Ali S/O Haji Ali Sher Village Ghulam Panthwar PO Phulji Station Dist Dadu	Late Qurban Ali 41201-1761586-7	Haji Ali Sher	757	-	-	757	757	-	-	757
19	Late Ali Akbar Attar Village Muhammad Yousif Aataar Khass Chandi Dadu	Late Ali Akbar Attar 41409-7424261-9	Muhammad Essa Attar	708	-	-	708	709	-	-	709
20	Late Najeebullah S/O Abdul Latif Abro Village Agham No.02 Bangundero Taluka Ratodero Dist Larkana	Late Najeebullah 43205-0746683-5	Abdul Latif Abro	905	-	-	905	905	-	-	905



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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				
21	Late Abdul Qayoom S/O Muhammad Bux Khan Village Jan Beg Khan Kanrani Taluka Thuli Distt Jacobabad	Late Abdul Qayoom 43105-9171427-1	Muhammad Bux Khan	828	-	-	828	828	-	-	828
22	Late Wail Muhammad S/O Shafi Muhammad Soomro Village Mirpur Burro Taluka Thuli Distt Jacobabad	Late Wail Muhammad 43105-0611960-5	Shafi Muhammad Soomro	777	-	-	777	777	-	-	777
23	Late Muhammad Ibrahim S/O Muhammad Paryal Dayo New Doctor Colony Ratodero	Late Muhammad Ibrahim 43205-4020282-7	Muhammad Paryal Dayo	926	-	-	926	926	-	-	926
24	Late Shah Nawaz S/O Ghulam Murtaza Village Fatahpur K.N. Shah	Late Shah Nawaz 41203-7142814-7	Ghulam Murtaza	741	-	-	741	742	-	-	742
25	Late Mumtaz Ali S/O Wail Muhammad CNIC NO.43404-0370901-3	Late Mumtaz Ali 43404-0370901-3	Wali Muhammad	805	-	-	805	805	-	-	805
26	Late Haji Amir Ali S/O Haji Allah Rakhio Near Hydri Plice Station, Muhalla Chandla Larkana Distt: Larkana	Late Haji Amir Ali 43203-6180269-5	Haji Allah Rakhio	511	-	-	511	511	-	-	511
27	Late Saeed Khan S/O Khair Muhammad Jakhar Tharo Dero Bughti Baloch Taluka Larkana	Late Saeed Khan 43203-7505426-3	Khair Muhammad Jakhar	832	-	-	832	832	-	-	832
28	Late Macbool Ahmed S/O Abdul Razak Sejawal Junejo Village Kot Lal Bux	Late Macbool Ahmed 43204-9627749-3	Abdul Razak	751	-	-	751	752	-	-	752
29	Late Fareed Ahmed S/O Nizamuddin Peoples Colony, Muhalla Lahori Larkana	Late Fareed Ahmed 43203-1354620-3	Nizamuddin	614	-	-	614	614	-	-	614
30	Late Lal Bux S/O Allah Wadhayo Abro Muhall Galib Nagar Larkana	Late Lal Bux 43203-0687077-5	Allah Wadhayo Abro	703	-	-	703	703	-	-	703
31	Late Shafi Muhammad S/O Gul Hassan Village & P.O Hamavoon Taluka & Dist Shikarpur	Late Shafi Muhammad 43304-8743973-1	Gul Hassan	913	-	-	913	913	-	-	913
32	Late Kale Ayas Wazir Ali S/O Bashir Ahmed Near Qubo Road H. No.2665/62 Drib Muhammad P.O Shahdadkot Distt Kamber Shahdadkot	Late Kale Ayas Wazir 43406-0357163-7	Bashir Ahmed	540	-	-	540	540	-	-	540
33	Late Ghulam Sarwar S/O Hidayatullah Village Philiri Taluka Sijawal Junejo Distt: Kamber Shahdadkot	Late Ghulam Sarwar 43204-1149630-9	Hidayatullah	599	-	-	599	599	-	-	599
34	Late Zahid Hussain S/O Muhammad Roshan Samo R/O Kori Muhalla Kharpur Nathan Shaha	Late Zahid Hussain 41203-0458636-1	Muhammad Roshan Samo	516	-	-	516	516	-	-	516
35	Late Aliah Dino S/O Mazhar Hussain Solangi Ward No.05 Solangi Muhalla Sita Road Taluka K.N Shah Dist Dadu	Late Aliah Dino 41203-7373911-1	Mazhar Hussain Solangi	501	-	-	501	502	-	-	502
36	Late Ahmed Ali S/O Amanullah Jyo CNIC NO.43207-0849012-9	Late Ahmed Ali 43207-0849012-9	Amanullah Jyo	520	-	-	520	520	-	-	520
37	Late Muhammad Fareed S/O Muhammad Mureed CNIC NO.43203-7753014-3	Late Muhammad Fareed 43203-7753014-3	Muhammad Mureed	522	-	-	522	522	-	-	522
38	Late Ghulam Hyder S/O Mehmood Mirbar Near Darogh Sharif Makan No.601 Muhalla Rahmatpur	Late Ghulam Hyder 43205-4232086-9	Mehmood Mirbar	592	-	-	592	592	-	-	592
39	Late Aga Abdul Sattar Khan Muhalla Per Jo Goh Taluka Naudero Distt Larkana	Late Aga Abdul Sattar Khan 43304-1870923-5	Aga Abdul Fatah	539	-	-	539	539	-	-	539
40	Late Ghulam Khair Muhammad Khan Shikarpur Village Blawal Banglani Taluka Thuli Dist Larkana	Late Ghulam Khair Muhammad Khan 43105-7856760-5	Bagan Banglani	601	-	-	601	601	-	-	601
41	Late Ramdas S/O Mangha Ram Muhalla Harefan Ratodero	Late Ramdas 43205-0110482-7	Mangha Ram	539	-	-	539	539	-	-	539
42	Late Muhammad Mako Village Ghulam Qadir Dakhan Ratodero	Late Muhammad Mako 43301-4080311-9	Muhammad Hashim	586	-	-	586	587	-	-	587
43	Late Ali Sher S/O Mubarak Chandio Village Din Muhammad Chandio Larkana	Late Ali Sher 43203-6704535-7	Mubarak Chandio	581	-	-	581	581	-	-	581
44	Late Irshad Ahmed S/O Muhammad Usman Massan Road Muhalla Muhammad Pur Larkana	Late Irshad Ahmed 43203-7737131-9	Muhammad Usman	513	-	-	513	513	-	-	513



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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				
45	Late Ghulam Akber S/O Ali Nawaz Shaikh Near Mustafa Masjid Muhalla New Shaikh Zed Colony Larkana	Late Ghulam Akber 43204-3518049-7	Ali Nawaz Shaikh	988	-	-	988	988	-	-	988
46	Manzoor Ahmad, Momin Pura Syedan Chak Ramdas District Gujranwala	Manzoor Ahmad 34102-1894803-3	Muhammad Abdullah	741	99	-	840	741	-	-	741
47	Mr. Malik Muhammad Afzal S/O Malik Hussain Bukhsh Basti samia wahgan P/O zahrip. Tehsil Khanpur.	Mr. Malik Muhammad Afzal 36301-9459345-5	Malik Hussain Bukhsh	528	-	-	528	528	-	-	528
48	Syed Sikandar Jalal H.No. 128, Street No. 5 Shiekh Maltoon Town Mardan	Syed Sikandar Jalal Qasim 16101-5375266-9	Syed Muhammad Saleem	602	71	-	673	602	-	-	602
49	Raja Muhammad Aslam, Village Chelevana Jageer, Tehsil Athmuqam, Distt Neelum, AK	Raja Muhammad Aslam 82201-1887006-7	Hidayatullah Janjuya	720	-	-	720	720	-	-	720
50	Syed Zameer Hussain Shah, Village Neelum, P/O Karin, Tehsil Athmuqam, Distt Neelum, AK	Syed Zameer Hussain Shah 82201-9867009-1	Syed Jehangir Shah	694	-	-	694	694	-	-	694
51	Kashif Mahmood Awan Near Ara Machine Mohalla Uper Chatter Mzd	Kashif Mahmood Awan 82203-4515133-7	Muhammad Shaikat	710	-	-	710	710	-	-	710
52	Muhammad Waris VPO Chanjiana Kotli Satian, Rawalpindi	Muhammad Waris 37403-7827627-3	Qaim Din	519	-	-	519	519	-	-	519
53	Mr. Muhammad Akram S/O Muhammad Ashraf Chak Baia Arain, Bahawalpur	Mr. Muhammad Akram 31101-8414687-7	Muhammad Ashraf	914	-	-	914	914	-	-	914
54	Mr. Muhammad Siddique S/O Din Muhammad H# 21, muslim town, renala khurd, dist. Okara	Mr. Muhammad Siddique 35303-2100954-9	Din Muhammad	545	-	-	545	545	-	-	545
55	Muhammad Bashir (Layyah)	Muhammad Bashir 32203-2026317-1	Ahmad Bakht	866	-	-	866	866	-	-	866
56	Sahibzada Wajih ur Rasool Rasool Mohallah Khair Shah, Pind Dardan Khan, T&D, Jhelum	Sahibzada Wajih ur Rasool 37302-1043762-1	Sahibzada Maqsood ur Rasool	705	-	72	777	705	-	-	705
57	M/S Abbas Khakhi & Company situated at Mouza Raighat Suraj Miran Multan	Mr. Sadar Abbas Khakhi 36303-0897990-1	Malik Bilal Khakhi	198	2,103	150	2,451	-	-	1,362	1,362
58	Mr. Dewan Syed Muhammad Taqi, near sunny bakers siddiqia road new gulgasht colony multan.	Mr. Dewan Syed Muhammad Taqi 36302-8994032-9	Dewan Syed Khurshid Ahmad	-	2,172	-	2,172	-	-	1,629	1,629
59	Muhammad Khurshed S/O Muhammad Sharif Bhero Waal, Post Office Khanewal Tehsil and District Khanewal	Muhammad Khurshed 36103-6550070-5	Muhammad Sharif	-	1,797	-	1,797	-	-	1,438	1,438
60	Mst. Suraya Begum House no 493, Mohallah Qazi Jalal, Inside Pak Gate Multan	Mst. Suraya Begum 36302-2486354-2	Malik Falak Sher	470	2,108	30	2,608	-	-	993	993
61	Muhammad Afzal Tahir Jamal Naghar Kotli Junaid Tehsil Malisi District Vehari	Muhammad Afzal Tahir 36602-7023083-3	Mian Ahmad Bux	5,530	3,818	79	9,427	-	-	1,342	1,342
62	M/S Dress Valley Sharif Plaza LMQ Road, Multan	Kh. Anees ur Rehman 42000-7480710-1	Kh. Mujeeb ur Rehman	405	881	50	1,336	-	-	577	577
63	Muhammad Iqbal Bhatti Gali No. 6, Mahallah Haji Noor Pura, Daska Municipal Town Committee, Tehsil Daska.	Mr. Muhammad Iqbal Bhatti 34601-9185407-9	Nathay Khan Bhatti Baig	-	-	3,569	3,569	-	-	2,192	2,192
64	M/s. Ahmed Brothers Ginners (Pvt.) Ltd. Address Chak # 112 Multan Road Jehanian Distt Khanewal	Aman Ullah 36101-1235934-5 Fozia Aman 36303-1861958-6 Nasreen Akhtar 36101-6838097-8 Muhammad Iftikhar 36303-0986831-3 Sajid Ali 36302-3438348-9 Samina Sajid 36302-8562640-0	Nazeer Hussain Muhammad Ayyub Aman Ullah Rehmat Ali Muhammad Ibrahim Sajid Ali	-	2,413	30	2,443	-	-	1,981	1,981
65	M/s Farmer Cotton Ginners Address Bypass Road Jehanian Distt Khanewal	Muhammad Iftikhar 36303-0986831-3 Sajid Ali 36302-3438348-9 Samina Sajid 36302-8562640-0	Rehmat Ali Muhammad Ibrahim Sajid Ali	2,910	2,645	30	5,585	-	-	1,595	1,595

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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				
66	Firdous Arshad Mouza Rango Khan, tehsil Kehrore Pecca, Lodhran	Firdous Arshad 36602-4385686-4	Muhammad Arshad Khan	2,885	1,522	17	4,424	-	-	543	543
67	M/S. Shikrani Model Industries, Cotton Ginning Pressing and Oil Mills, KLP Road, Uch Sharif	1. Mr. Muhammad Sharif, 31201-4834670-3 2. Mr. Muhammad Asghar Badar, 31202-2785705-7 3. Mr. Muhammad Ajmal Khan 31201-6511835-7	1. Khuda Bukhsh. 2. Khuda Bukhsh 3. Khuda Bukhsh.	1,888	1,280	55	3,203	-	-	1,656	1,656
68	M/S. Shikrani Zari Service . Near Old Larry Adda Mohallah Shams Colony, Uch Sharif Teh Ahmadpur East Dist Bahawalpur	1. Mr. Muhammad Sharif 31201-4834670-3 2. Muhammad Iqbal Khan 31202-3147441-3	1. Khuda Bukhsh 2. Muhammad Sharif	1,299	-	35	1,334	-	-	776	776
69	M/S. Shikrani Traders. Main Bazar, Uch Sharif	Mr. Muhammad Asghar Badar, 31202-2785705-7	Khuda Bukhsh	900	-	32	932	-	-	554	554
70	M/s. H.W. Dairies Pvt Ltd. Hujra Chunian Road, Mirajabad, District Okara	(1) Muhammad Ilyas Miraj 35202-7301494-9 (2) Haseeb Ilyas 35202-7459688-5, (3) Mian Waqas Riaz 35202-2562237-9	(1) S/o Mian Miraj Din (2) S/o Mian Muhammad Ilyas Miraj (3) S/o Mian Muhammad Riaz Miraj	34,779	15,664	205	50,648	-	-	605	605
				91,496	36,884	4,354	132,734	40,260	-	17,243	57,503

Rs. in 000

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2020

#### Annexure - II

#### ISLAMIC BANKING BUSINESS

The bank is operating 191 (2019: 190) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2020.

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>ASSETS</b>			
Cash and balances with treasury banks		5,713,009	4,405,856
Balances with other banks		11,948	5,841
Due from financial institutions	1	-	2,059,162
Investments	2	42,109,641	29,811,515
Islamic financing and related assets - net	3	37,546,704	33,880,482
Fixed assets		148,884	174,862
Right of use assets (ROUA)		755,116	861,049
Other assets		2,676,118	4,853,963
<b>Total Assets</b>		<b>88,961,420</b>	<b>76,052,730</b>
<b>LIABILITIES</b>			
Bills payable		339,103	256,804
Due to financial institutions		-	-
Deposits and other accounts	4	75,268,262	63,285,896
Due to head office		4,124,758	2,784,801
Lease liability against right of use assets		903,196	943,375
Other liabilities		2,198,144	3,767,018
		<b>82,833,463</b>	<b>71,037,894</b>
<b>NET ASSETS</b>		<b>6,127,957</b>	<b>5,014,836</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		3,360,000	2,200,000
Surplus on revaluation of assets		659,569	775,696
Unappropriated / unremitted profit	6	2,108,388	2,039,140
		<b>6,127,957</b>	<b>5,014,836</b>

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2020 is as follows:

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Profit / return earned	7	7,994,894	7,144,877
Profit / return expensed	8	(3,456,533)	(3,284,831)
Net profit / return		<b>4,538,361</b>	<b>3,860,046</b>
<b>Other income</b>			
Fee and commission income		367,852	436,935
Foreign exchange income		56,745	105,951
Other income		1,344	1,006
Total other income		<b>425,941</b>	<b>543,892</b>
Total income		<b>4,964,302</b>	<b>4,403,938</b>
<b>Other expenses</b>			
Operating expenses		(2,453,894)	(2,439,232)
Other charges		(2,512)	(1,280)
Total other expenses		<b>(2,456,406)</b>	<b>(2,440,512)</b>
<b>Profit before provisions</b>		<b>2,507,896</b>	<b>1,963,426</b>
Provisions and write offs - net		(399,508)	75,714
<b>Profit before taxation</b>		<b>2,108,388</b>	<b>2,039,140</b>
Taxation		-	-
<b>Profit after taxation</b>		<b>2,108,388</b>	<b>2,039,140</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
<b>1 Due from Financial Institutions</b>	<b>(Rupees in '000)</b>					
<b>Unsecured</b>						
Bai Muajjal Receivable from State Bank of Pakistan	-	-	-	2,059,162	-	2,059,162
	-	-	-	2,059,162	-	2,059,162

This represent Bai Muajjal agreement with State Bank of Pakistan which carries profit rate of Nil (2019: 10.39%) per annum.

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
<b>2 Investments by segments:</b>	<b>(Rupees in '000)</b>							
<b>Federal Government Securities:</b>								
- Ijarah Sukuks	6,000,000	-	15,600	6,015,600	2,000,000	-	(21,200)	1,978,800
- Others (Bai Muajjal with GOP @ 13.30%)	11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235
	17,641,133	-	15,600	17,656,733	12,395,235	-	(21,200)	12,374,035
<b>Non Government Debt Securities</b>								
- Listed	8,400,000	-	311,741	8,711,741	4,400,000	-	602,100	5,002,100
- Unlisted	15,539,747	(130,807)	332,228	15,741,168	12,371,391	(130,807)	194,796	12,435,380
	23,939,747	(130,807)	643,969	24,452,909	16,771,391	(130,807)	796,896	17,437,480
<b>Total Investments</b>	<b>41,580,879</b>	<b>(130,807)</b>	<b>659,569</b>	<b>42,109,641</b>	<b>29,166,626</b>	<b>(130,807)</b>	<b>775,696</b>	<b>29,811,515</b>

	Note	2020	2019
		<b>(Rupees in '000)</b>	
<b>3 Islamic financing and related assets</b>			
Ijarah	3.1	168,788	255,639
Murabaha	3.2	3,464,401	1,716,542
Musawama		-	22,243
Diminishing Musharaka		17,614,309	15,869,641
Istisna		50,000	-
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advances against Islamic assets (Ijarah, Murbaha, DM, Istisna)		8,076,678	7,180,631
Inventory related to Islamic financing (Istisna)		275,600	539,349
Gross Islamic financing and related assets		38,149,776	34,084,045
Less: provision against Islamic financings			
- Specific		(602,913)	(203,324)
- General		(159)	(239)
		(603,072)	(203,563)
<b>Islamic financing and related assets - net of provision</b>		<b>37,546,704</b>	<b>33,880,482</b>

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

### 3.1 Ijarah

	2020						
	Cost			Accumulated Depreciation		Book Value as at December 31, 2020	
	At January 1, 2020	Additions / (deletions)	As at December 31, 2020	At January 1, 2020	Charge/ Adjustment for the year		As at December 31, 2020
	----- (Rupees in '000) -----						
Plant & Machinery	255,075	-	249,123	137,966	42,760	175,050	74,073
		(5,952)			(5,676)		
Vehicles	277,812	-	239,219	139,282	42,832	144,504	94,715
		(38,593)			(37,610)		
Total	532,887	-	488,342	277,248	85,592	319,554	168,788
		(44,545)			(43,286)		

		2019					
Cost			Accumulated depreciation			Book Value as at December 31, 2019	
At January 01, 2019	Additions / (deletions)	As at December 31, 2019	At January 01, 2019	Charge/ Adjustment for the year	As at December 31, 2019		
----- (Rupees in '000) -----							
Plant & Machinery	573,290	-	255,075	350,797	75,826	137,966	117,109
		(318,215)			(288,657)		
Vehicles	319,205	28,958	277,812	105,629	85,305	139,282	138,530
		(70,351)			(51,652)		
Total	892,495	28,958	532,887	456,426	161,131	277,248	255,639
		(388,566)			(340,309)		

#### Future Ijarah payments receivable

2020				2019			
Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
(Rupees in '000)							
Ijarah rental receivables	85,318	91,290	-	176,608	86,070	217,069	-
							303,139

### 3.2 Murabaha

		2020	2019
Note		(Rupees in '000)	
Murabaha financing	3.2.1	3,464,401	1,716,542
Advances for Murabaha		1,199,500	2,000,000
		4,663,901	3,716,542

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- (Rupees in '000) -----	2019 -----
<b>3.2.1</b> Murabaha receivable - gross	3.2.2	<b>3,629,825</b>	1,835,295
Less: Deferred murabaha income	3.2.4	<b>47,306</b>	71,105
Less: Profit receivable shown in other assets		<b>118,118</b>	47,648
Murabaha financings		<b>3,464,401</b>	1,716,542
<b>3.2.2</b> The movement in Murabaha financing during the year is as follows:			
Opening balance		<b>1,835,295</b>	2,112,680
Sales during the year		<b>10,600,101</b>	9,329,239
Adjusted during the year		<b>8,805,571</b>	9,606,624
Closing balance		<b>3,629,825</b>	1,835,295
<b>3.2.3</b> Murabaha sale price		<b>10,600,101</b>	9,329,239
Murabaha purchase price		<b>9,901,022</b>	8,842,127
		<b>699,079</b>	487,112
<b>3.2.4</b> Deferred murabaha income			
Opening balance		<b>71,105</b>	25,372
Arising during the year		<b>287,727</b>	487,847
Less: Recognised during the year		<b>311,526</b>	442,114
Closing balance		<b>47,306</b>	71,105

4	Deposits	2020			2019		
		In local currency	In Foreign currencies	Total	In local currency	In foreign currencies	Total
		----- (Rupees in '000) -----					
	Customers						
	Current deposits	26,363,269	111,710	26,474,979	20,455,905	94,851	20,550,756
	Savings deposits	33,051,442	-	33,051,442	22,671,179	-	22,671,179
	Term deposits	10,129,005	-	10,129,005	12,720,085	-	12,720,085
		69,543,716	111,710	69,655,426	55,847,169	94,851	55,942,020
	Financial Institutions						
	Current deposits	778,039	-	778,039	815,386	-	815,386
	Savings deposits	3,633,797	-	3,633,797	3,028,490	-	3,028,490
	Term deposits	1,201,000	-	1,201,000	3,500,000	-	3,500,000
		5,612,836	-	5,612,836	7,343,876	-	7,343,876
		75,156,552	111,710	75,268,262	63,191,045	94,851	63,285,896

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>4.1 Composition of deposits</b>		
- Individuals	36,485,509	28,456,381
- Government / Public Sector Entities	23,406,681	17,564,494
- Banking Companies	2,698,853	7,339,558
- Non-Banking Financial Institutions	2,913,983	4,318
- Private Sector	9,763,236	9,921,145
	<b>75,268,262</b>	<b>63,285,896</b>
<b>4.2</b> This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 39,137 million (2019: Rs. 31,851 million).		
<b>5 Charity Fund</b>		
Opening Balance	10,911	1,059
<b>Additions during the period</b>		
Received from customers on account of delayed payment	710	11,852
	<b>11,621</b>	<b>12,911</b>
Payments / utilization during the period		
Education	1,500	-
Health	9,500	2,000
	<b>11,000</b>	<b>2,000</b>
Closing Balance	<b>621</b>	<b>10,911</b>
Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	3,000	1,000
Sindh Institute of Urology and Transplantation (SIUT)	-	1,000
The Prime Minister's Covid-19 Pandemic Relief Fund -2020	5,000	-
Shaukat Khanum Memorial Trust	1,000	-
Institute of Business Administration (IBA)	1,500	-
	<b>10,500</b>	<b>2,000</b>
<b>6 Islamic Banking Business Unappropriated/ Unremitted Profit / (loss)</b>		
Opening Balance	2,039,140	(57,150)
Add: Islamic Banking profit for the year	2,108,388	2,039,140
Less: Transferred / remitted to Head Office	(2,039,140)	57,150
Closing Balance	<b>2,108,388</b>	<b>2,039,140</b>
<b>7 Profit / Return Earned on Financing, Investments and Placement</b>		
Profit earned on:		
Financing	3,991,541	3,385,613
Investments	2,714,544	2,325,785
Placements	30,245	206,344
Others (Bai Muajjal)	1,258,564	1,227,135
	<b>7,994,894</b>	<b>7,144,877</b>



## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	----- (Rupees in '000) -----	
<b>8 Profit on Deposits and other Dues Expensed</b>		
Deposits and other accounts	2,956,946	2,817,622
Amortisation of lease liability against - ROUA	89,738	91,487
Others (General Account)	409,849	375,722
	<b>3,456,533</b>	<b>3,284,831</b>

### 9 Pool Management

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

a) General depositor pool

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

b) Special depositor pools (Total 140 during the year and 43 as at December 31, 2020)

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.

## Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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

Sector	2020	2019
	Percentage	Percentage
Fertilizer	1.54%	2.16%
Textile	3.21%	4.94%
Fuel & energy	48.01%	41.72%
Leasing/Modarbas	0.21%	0.29%
Sugar	6.51%	5.88%
Cement	9.00%	10.54%
Gas	1.58%	2.57%
Financial	2.00%	4.87%
Federal Government	19.68%	17.43%
Real Estate	2.20%	2.80%
Others	6.06%	6.81%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### 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-20 (Rupees in '000)
<b>Mudarib Share</b>	
Gross Distributable Income	4,871,556
Mudarib (Bank) share of profit before Hiba	1,814,707
Mudarib Share in percentage	37%
<b>Hiba from Mudarib Share</b>	
Mudarib (Bank) share of profit before Hiba	1,814,707
Hiba from bank's share to depositors	284,690
Hiba from bank's share to depositors in percentage	16%
<b>Profit rates</b>	

During the year the average profit rate earned by NBP Islamic Banking Group is 11.52% and the profit rate distributed to the depositors is 6.69%.

# Directors' Report to the Shareholders

## (Consolidated Financial Statements)

### Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Review together with the Consolidated Financial Statement of the Bank and its subsidiaries for the financial year ended December 31, 2020.

Consolidated after-tax profit for the year ended December 31, 2020 amounted to PKR 30.59 billion, being 83.73% higher than PKR 16.65 billion earned for the corresponding year ended December 31, 2019. During this period, the Bank's subsidiaries contributed a net profit of PKR 0.33 billion (Dec '19: PKR 0.22 billion) towards the Group's profitability; whereas share of profits from associates amounted to PKR 0.04 billion (Dec '19: PKR 0.04 billion). A loss of PKR 0.22 billion was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS stood at Rs. 14.33 as compared to Rs. 7.79 for the prior year 2019. As of December 31, 2020, consolidated total assets of the Bank stood at PKR 3,017.21 billion being 3.7% lower than December 31, 2019 levels.

Appropriation of the consolidated profits is given in the Statement of Changes in Equity and summarized below:

	(PKR 'Mn)
After-tax profit for year ended December 31, 2020	30,585.9
Unappropriated profit brought forward	93,465.5
Other comprehensive income- net of tax	(497.9)
Non-controlling interest	(96.2)
Transfer from surplus on revaluation of fixed assets	230.4
Profit available for appropriations	<b>123,687.7</b>
<b>Appropriation:</b>	
Transfer to Statutory Reserve	(3,055.9)
<b>Unappropriated profit carried forward</b>	<b>120,631.8</b>
Earnings per share	<b>Rs. 14.33</b>

For and on behalf of the Board of Directors



**Arif Usmani**  
 President & CEO  
 Karachi  
 Date: February 24, 2021



**Zubyr Soomro**  
 Chairman

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

**Grant Thornton Anjum Rahman**  
Chartered Accountants  
1<sup>st</sup> & 3<sup>rd</sup> Floor, Modern Motors House,  
Beaumont Road,  
Karachi, 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, 2020, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 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.	<p><b>Provision (impairment) of loans and advances</b></p> <p>As disclosed in note 11 to the consolidated financial statements, gross loans and advances of the Group were Rs. 1,161 billion against which non-performing loans and advances (NPLs) were of Rs. 172 billion. As at December 31, 2020, the Group holds the provision of Rs. 155 billion against NPLs and Rs. 22 billion as general provision against performing loans.</p> <p>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. Further, the impact of the COVID-19 pandemic and regulatory relieves measures issued by State Bank of Pakistan (SBP) to dampen the effects of COVID-19 have been incorporated in the Group's measurement of loans and advance portfolio. Furthermore, the Group is required to make provision, if any, identified by the SBP.</p> <p>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, including those related to COVID-19, to determine the provision and the timing of recognition of such provision and their impact could be material to the consolidated financial statements.</p>	<p>For selected samples, we:</p> <ul style="list-style-type: none"> <li>Updated our understanding and evaluated design and implementation of relevant controls;</li> <li>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, compliance with Prudential Regulations and impact of measures adopted by the Group in respect of COVID-19;</li> <li>evaluated the appropriateness of subjective evaluation made by management for performing parties;</li> <li>ensured that any provision identified by the SBP was recognized; and</li> <li>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.</li> </ul> <p>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.</p> <p>We had discussions with management to understand the Group's assessment of the impact of COVID-19 on the Group's portfolio of loans and advances.</p> <p>We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.</p>

S. No.	Key Audit Matters	How the matters were addressed in our audit
2.	<p><b>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</b></p> <p>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 (AFS). As per the Group's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments 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. Furthermore, to dampen the effect of COVID-19, SBP has allowed Groups to recognize impairment loss, if any, on the valuation of listed equity shares held as AFS in a phased manner equally on quarterly basis.</p> <p>The significance of the investment amount, subjectivity involved and assumptions used in impairment, including the guidance issued by SBP due to COVID-19, make it significant to the consolidated financial statements. Therefore, we have considered this as a key audit matter.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation;</li> <li>checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Group as disclosed in note 5.26(c),</li> <li>checked whether, in case of listed equity shares classified as AFS, calculation of impairment in a phased manner on a quarterly basis as per the guidance of SBP.</li> <li>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.</li> </ul>

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



**NBP**

National Bank of Pakistan  
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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 Yousuf Adil and Grant Thornton Anjum Rahman respectively.

**Yousuf Adil**  
Chartered Accountants

**Grant Thornton Anjum Rahman**  
Chartered Accountants

**Place:** Karachi

**Date:** February 25, 2021

## Consolidated Statement of Financial Position

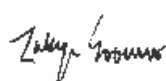
As at December 31, 2020

2019 ----- (US Dollars in '000) -----	2020		Note	2020 ----- (Rupees in '000) -----	2019
<b>ASSETS</b>					
1,834,387	<b>1,563,928</b>	Cash and balances with treasury banks	7	<b>249,969,566</b>	293,198,090
85,078	<b>93,943</b>	Balances with other banks	8	<b>15,015,366</b>	13,598,325
843,248	<b>793,350</b>	Lendings to financial institutions	9	<b>126,804,675</b>	134,780,010
9,089,402	<b>9,174,529</b>	Investments	10	<b>1,466,405,373</b>	1,452,799,192
6,309,021	<b>6,155,567</b>	Advances	11	<b>983,871,421</b>	1,008,398,612
343,603	<b>344,649</b>	Fixed assets	12	<b>55,086,809</b>	54,919,564
6,699	<b>6,395</b>	Intangible assets	13	<b>1,022,143</b>	1,070,766
46,595	<b>43,902</b>	Right of use assets	14	<b>7,017,020</b>	7,447,414
1,039,503	<b>700,835</b>	Other assets	15	<b>112,017,619</b>	166,148,295
19,597,536	<b>18,877,098</b>			<b>3,017,209,992</b>	3,132,360,268
<b>LIABILITIES</b>					
124,300	<b>105,079</b>	Bills payable	16	<b>16,795,186</b>	19,867,424
2,951,538	<b>866,766</b>	Borrowings	17	<b>138,539,005</b>	471,757,352
13,751,637	<b>15,133,967</b>	Deposits and other accounts	18	<b>2,418,928,469</b>	2,197,984,573
1,216	<b>1,234</b>	Liabilities against assets subject to finance lease	19	<b>197,224</b>	194,403
48,997	<b>49,234</b>	Lease liability against right of use assets	20	<b>7,869,355</b>	7,831,350
68,004	<b>18,351</b>	Deferred tax liabilities	21	<b>2,933,124</b>	10,869,353
1,155,153	<b>985,679</b>	Other liabilities	22	<b>157,545,347</b>	184,633,258
18,100,845	<b>17,160,310</b>			<b>2,742,807,710</b>	2,893,137,713
1,496,691	<b>1,716,788</b>	<b>NET ASSETS</b>		<b>274,402,282</b>	239,222,555
<b>REPRESENTED BY</b>					
133,107	<b>133,107</b>	Share capital	23	<b>21,275,131</b>	21,275,131
333,225	<b>360,319</b>	Reserves	24	<b>57,591,417</b>	53,260,789
440,197	<b>462,903</b>	Surplus on revaluation of assets	25	<b>73,987,802</b>	70,358,587
584,765	<b>754,730</b>	Unappropriated profit		<b>120,631,784</b>	93,465,516
1,491,294	<b>1,711,059</b>			<b>273,486,134</b>	238,360,023
5,397	<b>5,729</b>	Non-controlling interest		<b>916,148</b>	862,532
1,496,691	<b>1,716,788</b>			<b>274,402,282</b>	239,222,555

### CONTINGENCIES AND COMMITMENTS

26

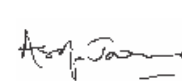
The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

  
Zubyr Soomro  
Chairman

  
Arif Usmani  
President & CEO

  
Abdul Wahid Sethi  
Chief Financial Officer

  
Imam Bakhsh Baloch  
Director

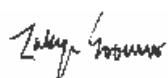
  
Asif Jooma  
Director

## Consolidated Profit and Loss Account


For the year ended December 31, 2020

2019 ----- (US Dollars in '000) -----	2020		Note	2020 ----- (Rupees in '000) -----	2019
1,499,742	<b>1,614,367</b>	Mark-up / return / interest earned	27	<b>258,031,378</b>	239,710,290
1,048,313	<b>961,320</b>	Mark-up / return / interest expensed	28	<b>153,651,948</b>	167,556,408
451,429	<b>653,047</b>	Net mark-up / return / interest income		<b>104,379,430</b>	72,153,882
		<b>NON MARK-UP / INTEREST INCOME</b>			
127,736	<b>121,879</b>	Fee and commission income	29	<b>19,480,452</b>	20,416,642
19,391	<b>11,481</b>	Dividend income		<b>1,835,129</b>	3,099,277
39,544	<b>27,167</b>	Foreign exchange income		<b>4,342,201</b>	6,320,455
13,549	<b>49,506</b>	Gain on securities - net	30	<b>7,912,766</b>	2,165,524
(603)	<b>(1,373)</b>	Share of loss from joint venture - net of tax		<b>(219,389)</b>	(96,336)
234	<b>268</b>	Share of profit from associates - net of tax		<b>42,813</b>	37,331
36,394	<b>24,810</b>	Other income	31	<b>3,965,483</b>	5,816,974
236,245	<b>233,738</b>	Total non-markup / interest income		<b>37,359,455</b>	37,759,867
687,674	<b>886,785</b>	Total income		<b>141,738,885</b>	109,913,749
		<b>NON MARK-UP / INTEREST EXPENSES</b>			
420,611	<b>401,203</b>	Operating expenses	32	<b>64,126,064</b>	67,228,062
-	<b>-</b>	Workers welfare fund		<b>-</b>	-
942	<b>1,980</b>	Other charges	33	<b>316,439</b>	150,585
421,553	<b>403,183</b>	Total non-markup / interest expenses		<b>64,442,503</b>	67,378,647
266,121	<b>483,602</b>	Profit before provisions		<b>77,296,382</b>	42,535,102
84,820	<b>193,400</b>	Provisions and write offs - net	34	<b>30,911,976</b>	13,557,101
181,301	<b>290,202</b>	<b>PROFIT BEFORE TAXATION</b>		<b>46,384,406</b>	28,978,001
77,147	<b>98,843</b>	Taxation	35	<b>15,798,487</b>	12,330,809
104,154	<b>191,359</b>	<b>PROFIT AFTER TAXATION</b>		<b>30,585,919</b>	16,647,192
		<b>Attributable to:</b>			
103,750	<b>190,757</b>	Shareholders of the Bank		<b>30,489,753</b>	16,582,705
403	<b>602</b>	Non-controlling interest		<b>96,166</b>	64,487
104,154	<b>191,359</b>			<b>30,585,919</b>	16,647,192
----- (US Dollars) -----				----- (Rupees) -----	
0.05	<b>0.09</b>	Basic earnings per share	36	<b>14.33</b>	7.79
0.05	<b>0.09</b>	Diluted earnings per share	37	<b>14.33</b>	7.79

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

  
Imam Bakhsh Baloch  
Director

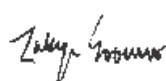
  
Asif Joona  
Director

## Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

2019 ----- (US Dollars in '000) -----	2020		2020 ----- (Rupees in '000) -----	2019
104,154	191,359	Profit after taxation for the year	30,585,919	16,647,192
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
13,997	7,975	Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture	1,274,736	2,237,165
63,213	18,753	Movement in surplus on revaluation of investments - net of tax	2,997,432	10,103,678
77,210	26,728		4,272,168	12,340,843
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
(12,609)	(3,116)	Remeasurement loss on defined benefit obligations - net of tax	(497,972)	(2,015,359)
4,638	4,054	Movement in surplus on revaluation of operating fixed assets - net of tax	647,924	741,300
3,072	1,340	Movement in surplus on revaluation of non-banking assets - net of tax	214,238	490,984
(4,899)	2,278		364,190	(783,075)
176,465	220,365	<b>Total comprehensive income</b>	35,222,277	28,204,960
<b>Total comprehensive income attributable to:</b>				
176,061	219,763	Shareholders of the Bank	35,126,111	28,140,473
403	602	Non-controlling interest	96,166	64,487
176,465	220,365		35,222,277	28,204,960

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

  
Imam Bakhsh Baloch  
Director


  
Asif Jooma  
Director

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	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				
(Rupee in '000)													
Balances 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 loan loss 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
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	30,489,753	30,489,753	96,166	30,585,919
Other comprehensive income - net of tax	-	1,274,736	-	-	-	1,274,736	2,997,432	862,162	3,859,594	(497,972)	4,636,358	-	4,636,358
Transfer to statutory reserve	-	-	3,055,892	-	-	3,055,892	-	-	-	(3,055,892)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(230,379)	(230,379)	230,379	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(42,550)	(42,550)
Balance as at December 31, 2020	21,275,131	12,845,332	36,224,747	8,000,000	521,338	57,591,417	28,250,884	45,736,918	73,987,802	120,631,784	273,486,134	916,148	274,402,282

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

  
**Zubair Soomro**  
Chairman

  
**Abdul Wahid Sethi**  
Chief Financial Officer

  
**Imam Bakish Baloch**  
Director

  
**Asif Jooma**  
Director

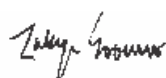
  
**Arif Usmani**  
President & CEO

## Consolidated Cash Flow Statement


For the year ended December 31, 2020

2019 ----- (US Dollars in '000) -----	2020		2020 Note ----- (Rupees in '000) -----	2019
		<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
181,301	<b>290,202</b>	Profit before taxation	<b>46,384,406</b>	28,978,001
(19,391)	<b>(11,481)</b>	Less: Dividend income	<b>(1,835,129)</b>	(3,099,277)
161,910	<b>278,721</b>		<b>44,549,277</b>	25,878,724
		Adjustments:		
28,508	<b>29,121</b>	Depreciation	<b>4,654,608</b>	4,556,537
2,051	<b>1,495</b>	Amortization	<b>238,932</b>	327,882
84,820	<b>193,400</b>	Provision and write-offs	<b>30,911,976</b>	13,557,101
(235)	<b>(144)</b>	Gain on sale of fixed assets - net	<b>(23,053)</b>	(37,487)
4,876	<b>5,129</b>	Finance charges on leased assets	<b>819,777</b>	779,389
(237)	<b>(66)</b>	Unrealized gain on revaluation of investments classified as held-for-trading	<b>(10,556)</b>	(37,826)
47,268	<b>46,594</b>	Charge for defined benefit plans - net	<b>7,447,274</b>	7,555,006
603	<b>1,373</b>	Share of loss from joint venture - net of tax	<b>219,389</b>	96,336
(234)	<b>(268)</b>	Share of profit from associates - net of tax	<b>(42,813)</b>	(37,331)
167,420	<b>276,634</b>		<b>44,215,534</b>	26,759,607
329,330	<b>555,355</b>		<b>88,764,811</b>	52,638,331
		(Increase) / decrease in operating assets		
(284,349)	<b>59,282</b>	Lendings to financial institutions	<b>9,475,335</b>	(45,448,677)
725,920	<b>(378,553)</b>	Held-for-trading securities	<b>(60,505,845)</b>	116,027,034
(590,881)	<b>(38,789)</b>	Advances	<b>(6,199,885)</b>	(94,443,135)
(8,286)	<b>308,507</b>	Others assets (excluding advance taxation)	<b>49,310,051</b>	(1,324,368)
(157,596)	<b>(49,553)</b>		<b>(7,920,344)</b>	(25,189,146)
		Increase / (decrease) in operating liabilities		
62,085	<b>(19,221)</b>	Bills payable	<b>(3,072,238)</b>	9,923,246
479,906	<b>(1,839,289)</b>	Borrowings from financial institutions	<b>(293,981,639)</b>	76,705,422
1,167,908	<b>1,382,330</b>	Deposits	<b>220,943,896</b>	186,671,948
40,236	<b>(201,534)</b>	Other liabilities	<b>(32,212,081)</b>	6,431,150
1,750,135	<b>(677,714)</b>		<b>(108,322,062)</b>	279,731,766
(4,876)	<b>(5,129)</b>	Financial charges paid	<b>(819,777)</b>	(779,389)
(74,551)	<b>(133,871)</b>	Income tax adjusted / paid	<b>(21,397,144)</b>	(11,915,809)
(10,118)	<b>(11,371)</b>	Benefits paid	<b>(1,817,492)</b>	(1,617,201)
1,832,324	<b>(322,283)</b>	Net cash flow (used in) / generated from operating activities	<b>(51,512,008)</b>	292,868,552
		<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(694,926)	<b>(496,718)</b>	Net investments in available-for-sale securities	<b>(79,392,691)</b>	(111,073,149)
(918,269)	<b>819,592</b>	Net investments in held-to-maturity securities	<b>130,999,035</b>	(146,770,958)
19,391	<b>11,481</b>	Dividends received	<b>1,835,129</b>	3,099,277
(15,303)	<b>(13,144)</b>	Investments in fixed assets	<b>(2,100,884)</b>	(2,445,874)
566	<b>603</b>	Proceeds from sale of fixed assets	<b>96,316</b>	90,430
13,997	<b>7,975</b>	Effect of translation of net investment in foreign branches	<b>1,274,736</b>	2,237,165
(1,594,544)	<b>329,789</b>	Net cash flow generated from / (used in) investing activities	<b>52,711,641</b>	(254,863,109)
		<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
(409)	<b>(544)</b>	Payments of finance lease obligations	<b>(86,992)</b>	(65,294)
(13,271)	<b>(13,678)</b>	Payments of lease liability against right of use asset	<b>(2,186,264)</b>	(2,121,214)
(14)	<b>(7)</b>	Dividend paid	<b>(1,152)</b>	(2,200)
(13,694)	<b>(14,229)</b>	Net cash flow used in financing activities	<b>(2,274,408)</b>	(2,188,708)
224,086	<b>(6,723)</b>	(Decrease) / increase in cash and cash equivalents	<b>(1,074,775)</b>	35,816,735
1,432,731	<b>1,656,818</b>	Cash and cash equivalents at beginning of the year	<b>264,816,479</b>	228,999,744
1,656,817	<b>1,650,095</b>	Cash and cash equivalents at end of the year	<b>263,741,704</b>	264,816,479

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

  
Imam Bakhsh Baloch  
Director

  
Asif Jooma  
Director

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 1. THE GROUP AND ITS OPERATIONS

#### 1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

	Percentage Holding	
	2020 %	2019 %
Subsidiary Companies		
- 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 1,514 (2019: 1,509) branches in Pakistan and 21 (2019: 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 Tajikistan 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 20 branches (2019: 19 branches) and 1 booth (2019: 1).



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 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.

### 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, 2020 NBP Funds is managing the following funds and discretionary portfolio;

	Type of Fund
- NBP Income Opportunity Fund	Open end Fund
- NBP Savings Fund	Open end Fund
- NBP Islamic Savings Fund	Open end Fund
- NBP Islamic Sarmaya Izafa Fund	Open end Fund
- NBP Balanced Fund	Open end Fund
- NBP Stock Fund	Open end Fund
- NBP Financial Sector Income Fund	Open end Fund
- NBP Government Securities Liquid Fund	Open end Fund
- NBP Sarmaya Izafa Fund	Open end Fund
- NBP Mahana Amdani Fund	Open end Fund
- NBP Riba Free Savings Fund	Open end Fund
- NBP Money Market Fund	Open end Fund
- NBP Government Securities Savings Fund	Open end Fund
- NBP Islamic Stock Fund	Open end Fund
- NBP Active Allocation Riba Free Savings Fund	Open end Fund
- NBP Islamic Active Allocation Equity Fund	Open end Fund
- NBP Islamic Energy Fund	Open end Fund
- NBP Islamic Money Market Fund	Open end Fund

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

-	NBP Financial Sector Fund	Open end Fund
-	NBP Islamic Mahana Amdani Fund	Open end Fund
-	NBP Islamic Regular Income Fund	Open end Fund
-	NAFA Islamic Active Allocation Fund-I	Open end Fund
-	NAFA Islamic Active Allocation Fund-II	Open end Fund
-	NAFA Islamic Active Allocation Fund-III	Open end Fund
-	NBP Government Securities Fund-I	Open end Fund
-	NAFA Pension Fund	Open end Fund
-	NAFA Islamic Pension Fund	Open end Fund
-	NAFA Islamic Principal Protected Fund-II	Open end Fund
-	NBP Islamic Daily Dividend Fund	Open end Fund
-	NBP Islamic Income Fund	Open end Fund
-	NBP Pakistan Growth Exchange Traded Fund	Open end Fund

### 1.2 Basis of Consolidation

- The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary companies together - "the Group".
- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.
- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.

### 1.3 Impact of COVID-19

The global outbreak of novel coronavirus (COVID 19) during early 2020 caused disruptions in normal lives and businesses in many ways. Global economy and banking systems have also been impacted significantly, both from business as well as accounting and reporting perspective. State Bank of Pakistan (SBP) responded to the crisis by cutting the Policy Rate by 625 basis points to 7.00% during the period from March 2020 to December 2020. Further, SBP relief measures included reduction in the capital conservation buffer, deferment of borrowers' principal loans payment by one year, increasing the regulatory limit on extension of credit to SMEs liquidity support as well as relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

In line with regulatory measures the Group has aligned its policies / procedures and issued instructions. The Group is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the COVID-19 outbreak. Further, with respect to information security risk management arising as a result of COVID-19, the Group took appropriate actions to monitor and respond to these evolving cybersecurity risks due to work from home environment and adopted a heightened state of cybersecurity. For detailed risk assessment of the Bank, refer note 48 to these consolidated financial statements.

## 2. BASIS OF PRESENTATION

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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. 159.8344 to 1 US Dollar has been used for 2020 and 2019 as it was the prevalent rate as on December 31, 2020.

### 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);

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

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

- 3.3** The SECP, through SRO 229(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.

### 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, 2020

The following standards, amendments and interpretations are effective for the year ended December 31, 2020. 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 consolidated financial statements other than certain additional disclosures:

- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IFRS 3 'Business Combinations' - Definition of a business. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material. Effective from accounting period beginning on or after January 01, 2020.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform. Effective from accounting period beginning on or after January 01, 2020.

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
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

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.

### 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 Bank in the period of initial application.

## 4. BASIS OF MEASUREMENT

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

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 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.

### 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 ninety (90) days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

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

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture - The Group has interests in joint venture which is jointly controlled entity. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.

The carrying values of investments are reviewed for impairment when indications exist that the carrying value may exceed the estimated recoverable amount. Provision is made for impairment in value, if any.

### 5.5 Repurchase and resale agreements

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

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

### 5.6 Derivative financial instruments

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



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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, 2020

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.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 5.10 Lease liability and right-of-use assets

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 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

#### 5.11 Intangible assets

Intangible assets are stated at cost less accumulated 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.

#### 5.12 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets 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.

#### 5.13 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 5.14 Taxation

#### 5.14.1 Current

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

#### 5.14.2 Deferred

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

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

The carrying amount of deferred 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 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.

### 5.15 Employee benefits

#### 5.15.1 Defined benefit plans

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

#### 5.15.2 Other employee benefits

##### Employees' compensated absences

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

#### 5.15.3 Retirement and other benefit obligations

In respect of CJSC Subsidiary Bank of NBP in Kazakhstan (CJSC)

The CJSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

### 5.16 Revenue recognition

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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.

### 5.17 Net investment in finance lease

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

### 5.18 Foreign currencies translation

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

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

### 5.19 Provision for off balance sheet obligations

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

### 5.20 Off setting

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 5.21 Fiduciary assets

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

### 5.22 Dividend and other appropriations

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

### 5.23 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the 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, 2020.

### 5.24 Bai Muajjal

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

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

### 5.25 Segment reporting

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

During the year the Group changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 44.

#### Business segments

The Groups primary segment reporting is based on following business segments:

- I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.
- II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.
- III. **Corporate and Investment Banking**; this segment offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.
- IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.
- V. **International Financial Institution and Remittance** segment includes the results of all international branches, correspondent banking business and global remittances. This represents Groups operations in 13 countries including one branch in export processing zones in Karachi.
- VI. **Aitemaad and Islamic Banking** provides shariah compliant services to customers including loans, deposits and other transactions
- VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### Geographical segments

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

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

### 5.26 Accounting estimates and judgments

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

#### a) Provision against non-performing 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 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 Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

**g) Employees' benefit plans**

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 40. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

**h) Provision against contingencies**

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

**i) Determination of control over investees**

The Group's management applies its judgement to determine whether the control exists over the investee entities.

### 6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

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

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

Particulars	CJSC Subsidiary Bank of NBP in Kazakhstan (Almaty)	CJSC Subsidiary Bank of NBP in Tajikistan (Dushanbe)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Ashgabat (Turkmenistan)	Total
	----- (Subsidiaries) -----		----- (Branches) -----			
	----- (Rupees in '000) -----					
Total Assets	1,649,350	2,272,075	1,133,887	2,137,273	2,127,420	9,320,005
Total Liabilities	36,844	1,507,804	274,831	519,126	1,881,502	4,220,107
Profit / (Loss) for the year	17,920	18,145	(20,109)	72,612	3,034	91,601



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

		2020	2019
	Note	------(Rupees in '000)-----	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		48,499,942	48,684,542
Foreign currency		6,925,688	4,984,290
		55,425,630	53,668,832
With State Bank of Pakistan in			
Local currency current accounts	7.1	125,017,412	168,479,311
Foreign currency current accounts	7.2	10,209,399	9,116,381
Foreign currency deposit accounts	7.2	21,022,297	27,850,977
Foreign currency collection accounts		1,618,084	1,473,861
		157,867,192	206,920,530
With other central banks in			
Foreign currency current accounts	7.3	29,581,326	25,994,672
Foreign currency deposit accounts	7.3	4,789,170	4,865,977
		34,370,496	30,860,649
Prize bonds		2,306,248	1,748,079
		249,969,566	293,198,090
<b>7.1</b>	This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.		
<b>7.2</b>	These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.		
<b>7.3</b>	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 3.5% per annum (2019: 0% to 2.17% per annum).		
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current accounts		33,502	10,446
In deposit accounts	8.1	394,071	178,710
		427,573	189,156
Outside Pakistan			
In current accounts		8,708,983	6,670,289
In deposit accounts	8.2	5,878,810	6,738,880
		14,587,793	13,409,169
		15,015,366	13,598,325
<b>8.1</b>	These include various deposits with banks and carry interest at rates ranging from 2% to 8% per annum (2019: 2.5% to 11.25% per annum).		
<b>8.2</b>	These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 2.5% per annum (2019: 0% to 2.17% per annum).		
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	9.1	2,040,800	540,800
Repurchase agreement lendings (Reverse Repo)	9.2	124,763,875	132,180,048
Bai Muajjal receivable with State Bank of Pakistan	9.3	-	2,059,162
Letters of placement	9.4	176,150	176,150
	9.5	126,980,825	134,956,160
Less: provision held against lendings to financial institutions	9.6	(176,150)	(176,150)
Lendings to financial institutions - net of provision		126,804,675	134,780,010

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

- 9.1** This includes zero rate lendings to a financial institution Rs. 40.8 million (2019: Rs. 40.8 million) which is guaranteed by the SBP.
- 9.2** These carry mark-up at rates ranging from 6.00% to 7.29% per annum (2019: 13.00% to 13.58% per annum) with maturities ranging from January 4, 2021 to January 26, 2021.
- 9.3** This represents Bai Muajjal agreement entered into with SBP and carries profit rate of Nil (2019: 10.39%) per annum.
- 9.4** These are overdue placements and full provision has been made against these placements as at December 31, 2020.

	Note	2020 ------(Rupees in '000)-----	2019 ------(Rupees in '000)-----
<b>9.5 Particulars of lending</b>			
In local currency		126,980,825	134,956,160
In foreign currencies		-	-
		<b>126,980,825</b>	<b>134,956,160</b>
<b>9.6 Movement in provision held against lendings is as follows:</b>			
Opening balance		176,150	176,150
Charge for the year		-	-
Closing balance		<b>176,150</b>	<b>176,150</b>

**9.7 Securities held as collateral against lending to financial institutions**

	2020			2019		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	91,230,121	-	91,230,121	124,080,048	-	124,080,048
Pakistan Investment Bonds	33,533,754	-	33,533,754	8,100,000	-	8,100,000
Total	<b>124,763,875</b>	<b>-</b>	<b>124,763,875</b>	<b>132,180,048</b>	<b>-</b>	<b>132,180,048</b>

- 9.7.1** Market value of the securities under repurchase agreement lendings amounts to Rs. 125,094 million (2019: Rs. 132,453 million).

**9.8 Category of classification**

	2020		2019	
	Classified Lending	Provision held	Classified Lending	Provision held
	----- (Rupees in '000) -----			
<b>Domestic</b>				
Loss	176,150	176,150	176,150	176,150
Total	<b>176,150</b>	<b>176,150</b>	<b>176,150</b>	<b>176,150</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

10. INVESTMENTS	Investments by type:	Note	2020				2019			
			Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)										
<b>Held-for-trading securities</b>										
10.1	Market Treasury Bills		96,157,306	-	3,529	96,160,835	27,007,755	-	(24,649)	26,983,106
	Pakistan Investment Bonds		496,805	-	(1,455)	495,350	9,116,239	-	15,695	9,131,934
	Ijarah Sukuks		-	-	-	-	71,299	-	-	71,299
	Ordinary shares of listed companies		157,217	-	-	157,217	178,596	-	(2,042)	176,554
	Investment in mutual funds		282,361	-	8,482	290,843	138,305	-	48,822	187,127
	Foreign Government Securities		1,105,840	-	-	1,105,840	1,154,220	-	-	1,154,220
<b>Available-for-sale securities</b>			98,199,529	-	10,556	98,210,085	37,666,414	-	37,826	37,704,240
<b>Held-to-maturity securities</b>										
10.7	Market Treasury Bills		529,397,138	-	690,817	530,087,955	593,936,881	-	967,544	594,904,425
	Pakistan Investment Bonds		470,136,168	-	2,776,564	472,912,732	322,248,605	-	(1,961,853)	320,286,752
	Ijarah Sukuks		6,000,000	-	15,600	6,015,600	2,000,000	-	(21,200)	1,978,800
	Ordinary shares of listed companies	10.13/10.14	33,242,726	(5,568,236)	20,257,485	47,931,975	29,062,226	(5,723,164)	18,467,531	41,806,593
	Ordinary shares of unlisted companies		1,865,982	(410,893)	-	1,455,089	2,101,182	(507,573)	-	1,593,609
	Preference shares		1,445,308	(539,708)	194,250	1,099,850	570,214	(490,826)	-	79,388
	Term Finance Certificates / Musharika and Sukuk Bonds		60,250,294	(5,196,406)	856,659	55,910,547	60,253,886	(4,942,505)	941,278	56,252,659
	GoP Foreign Currency Bonds		10,429,632	-	411,243	10,840,875	21,138,771	-	1,337,759	22,476,530
	Foreign Government Securities		2,795,017	-	52,159	2,847,176	3,474,324	-	17,527	3,491,851
	Foreign Currency Debt Securities		79,438	-	1,202	80,640	1,408,492	-	13,779	1,422,271
Investments in mutual funds		619,646	(41,167)	1,421,691	2,000,170	674,078	(41,167)	1,324,745	1,957,656	
Ordinary shares of a bank outside Pakistan		463,295	-	17,189,483	17,652,778	463,294	-	18,368,462	18,831,756	
<b>Held-to-maturity securities</b>			1,116,724,644	(11,756,410)	43,867,153	1,148,835,387	1,037,331,953	(11,705,235)	39,455,572	1,065,082,290
<b>Held-to-maturity securities</b>										
	Market Treasury Bills		-	-	-	-	114,155,009	-	-	114,155,009
	Pakistan Investment Bonds		168,676,415	-	-	168,676,415	184,864,103	-	-	184,864,103
	Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates		414,972	(407,134)	-	7,838	416,707	(407,134)	-	9,573
	Bai Muajjal with Government of Pakistan		11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235
	GoP Foreign Currency Bonds		-	-	-	-	4,087,591	-	-	4,087,591
	Foreign Government Securities		32,418,809	-	-	32,418,809	30,231,741	-	-	30,231,741
	Foreign Currency Debt Securities		618	-	-	618	596	-	-	596
			213,151,947	(407,134)	-	212,744,813	344,150,982	(407,134)	-	343,743,848
<b>Associates</b>										
10.9/10.10		1,259,067	(697,984)	-	561,083	1,223,080	(782,251)	-	440,829	
10.12		6,054,005	-	-	6,054,005	5,827,985	-	-	5,827,985	
10.15		1,245	(1,245)	-	-	1,245	(1,245)	-	-	
<b>Total Investments</b>			1,435,390,437	(12,862,773)	43,877,709	1,466,405,373	1,426,201,659	(12,895,866)	39,493,398	1,452,799,192

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
<b>10.2 Investments by segments:</b>								
<b>Federal Government Securities:</b>								
Market Treasury Bills	625,554,444	-	694,346	626,248,790	735,099,645	-	942,895	736,042,540
Pakistan Investment Bonds	639,309,388	-	2,775,109	642,084,497	516,228,947	-	(1,946,158)	514,282,789
Bai Muajjal Government of Pakistan	11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235
Ijarah Sukuks	6,000,000	-	15,600	6,015,600	2,071,299	-	(21,200)	2,050,099
	1,282,504,965	-	3,485,055	1,285,990,020	1,263,795,126	-	(1,024,463)	1,262,770,663
<b>Shares</b>								
Listed Companies	33,399,943	(5,568,236)	20,257,485	48,089,192	29,240,822	(5,723,164)	18,465,489	41,983,147
Unlisted Companies	1,865,982	(410,893)	-	1,455,089	2,101,182	(507,573)	-	1,593,609
	35,265,925	(5,979,129)	20,257,485	49,544,281	31,342,004	(6,230,737)	18,465,489	43,576,756
<b>Non Government Debt Securities</b>								
Listed	25,872,498	(1,031,475)	405,860	25,246,883	22,471,459	(971,908)	-	21,499,551
Unlisted	34,792,768	(4,572,065)	450,799	30,671,502	38,199,134	(4,377,731)	941,278	34,762,681
	60,665,266	(5,603,540)	856,659	55,918,385	60,670,593	(5,349,639)	941,278	56,262,232
<b>Foreign Securities</b>								
GoP Foreign Currency Bonds	10,429,632	-	411,243	10,840,875	25,226,362	-	1,337,759	26,564,121
Foreign Government Securities	36,319,666	-	52,159	36,371,825	34,860,285	-	17,527	34,877,812
Foreign Currency Debt Securities	80,056	-	1,202	81,258	1,409,088	-	13,779	1,422,867
	46,829,354	-	464,604	47,293,958	61,495,735	-	1,369,065	62,864,800
<b>Preference shares</b>	1,445,308	(539,708)	194,250	1,099,850	570,214	(490,826)	-	79,388
<b>Investments in mutual funds</b>	902,007	(41,167)	1,430,173	2,291,013	812,383	(41,167)	1,373,567	2,144,783
<b>Ordinary shares of a bank outside Pakistan</b>	463,295	-	17,189,483	17,652,778	463,294	-	18,368,462	18,831,756
<b>Associates</b>								
<b>-Listed</b>								
First Credit and Investment Bank Limited	210,505	(28,830)	-	181,675	208,089	(106,429)	-	101,660
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	-	-	-	-	-	-	-	-
NBP Stock Fund	500,734	(121,326)	-	379,408	467,163	(156,183)	-	310,980
	1,018,543	(457,460)	-	561,083	982,556	(569,916)	-	412,640

Note

10.13/10.14

10.7

10.8

10.9

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020				2019			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
<b>-Unlisted</b>								
Pakistan Emerging Venture Limited	50,565	(50,565)	-	-	50,565	(50,565)	-	-
National Fructose Company Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-
National Assets Insurance Company Limited	44,815	(44,815)	-	-	44,815	(16,627)	-	28,188
Dadabhai Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
10.11	240,524	(240,524)	-	-	240,524	(212,336)	-	28,188
	1,259,067	(697,984)	-	561,083	1,223,080	(782,251)	-	440,829
<b>Joint Venture</b>								
United National Bank Limited	6,054,005	-	-	6,054,005	5,827,985	-	-	5,827,985
10.12								
<b>Subsidiaries</b>								
Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
10.15								
<b>Total Investments</b>	1,435,390,437	(12,862,773)	43,877,709	1,466,405,373	1,426,201,659	(12,895,866)	39,493,398	1,452,799,192
<b>10.2.1 Investments given as collateral</b>								
Pakistan Investment Bonds								4,150,000
Market Treasury Bills								360,000,000
								364,150,000

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	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)									
<b>10.2.2 Associates</b>									
<b>Listed</b>									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2020	1,667,186	928,395	154,763	28,703	46,801
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2020	174,448	252,160	-	(16,925)	(16,925)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2020	1,148,303	600,882	5,245	(2,170)	414,712
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
AgriTech Limited	106,014,565	27.01	Pakistan	December 31, 2019	69,135,919	58,399,826	12,174,419	(652,777)	15,624,634
NBP Stock Fund	31,347,444	2.64	Pakistan	June 30, 2020	13,985,018	283,399	72,309	(384,270)	(384,270)
<b>Unlisted</b>									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2019	1,194	345	96	(175)	(175)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2019	668,041	8,392	75,275	29,439	29,680
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhai Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2020	2,862,573	2,821,581	317,150	31,832	31,832
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-
<b>10.2.3 Joint Venture</b>									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2019	104,391,593	88,500,998	1,062,408	(146,159)	1,614,231
<b>10.2.4 Subsidiaries</b>									
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	-	-	-	-	-	-

\* " - " Not available

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	------(Rupees in '000)-----	
<b>10.3 Provision for diminution in value of investments</b>		
Opening balance	12,895,866	10,664,680
Charge / reversals		
Charge for the year	1,258,140	2,615,328
Reversals for the year	(1,291,233)	(384,142)
	(33,093)	2,231,186
Closing Balance	12,862,773	12,895,866

### 10.3.1 Particulars of provision against debt securities

#### Category of classification

#### Domestic

	2020		2019	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Doubtful	-	-	426,170	213,086
Loss	5,671,871	5,603,540	5,145,314	5,136,554
<b>Total</b>	<b>5,671,871</b>	<b>5,603,540</b>	<b>5,571,484</b>	<b>5,349,640</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 10.4 Movement Schedule for Associates and Joint Venture

2020									
Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus (deficit) on revaluation properties	Surplus (deficit) on revaluation securities	Closing balance	
----- (Rupees in '000) -----									
<b>Joint Venture</b>									
United National Bank Limited	5,827,985	-	-	(219,389)	303,896	18,516	122,997	6,054,005	
	5,827,985	-	-	(219,389)	303,896	18,516	122,997	6,054,005	
<b>Associates</b>									
<b>Unlisted</b>									
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	50,565	
National Fructose Company Limited	6,500	-	-	-	-	-	-	6,500	
National Assets Insurance Company	44,815	-	-	-	-	-	-	44,815	
Dadabhoj Energy Supply Company Limited	32,105	-	-	-	-	-	-	32,105	
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	106,539	
<b>Listed</b>									
First Credit and Investment Bank Limited	208,089	-	-	9,242	-	-	(6,826)	210,505	
Land Mark Spinning Mills Limited	39,710		-	-	-	-	-	39,710	
SG Allied Business Limited	218,534	-	-	-	-	-	-	218,534	
Nina Industries Limited	49,060	-	-	-	-	-	-	49,060	
Agriotech Limited	-	-	-	-	-	-	-	-	
NBP Stock Fund	467,163	-	-	33,571	-	-	-	500,734	
	1,223,080	-	-	42,813	-	-	(6,826)	1,259,067	

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2019						
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Closing Balance
<b>Joint Venture</b>							
United National Bank Limited	4,543,339	-	-	-	(96,336)	537,644	5,827,985
	4,543,339	-	-	-	(96,336)	537,644	5,827,985
<b>Associates</b>							
<b>Unlisted</b>							
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
<b>Listed</b>							
First Credit and Investment Bank Limited	208,760	-	-	(6,000)	4,178	-	208,089
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	49,060
AgriTech Limited	-	-	-	-	-	-	-
NBP Stock Fund	434,010	-	-	-	33,153	-	467,163
	1,190,599	-	-	(6,000)	37,331	-	1,223,080

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 10.5 Quality of available for sale securities

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

	2020	2019
	----- (Rupees in '000) -----	
<b>Federal government securities - government guaranteed</b>		
Market Treasury Bills	529,397,138	593,936,881
Pakistan Investment Bonds	470,136,168	322,248,605
Ijarah Sukuks	6,000,000	2,000,000
<b>Cost</b>	<b>1,005,533,306</b>	<b>918,185,486</b>
<b>Shares</b>		
<b>Listed companies sector-wise</b>		
Automobile Assembler	536,303	212,858
Automobile Parts and Accessories	843,923	757,309
Cable and Electrical Goods	211,166	249,604
Cement	1,882,741	2,876,794
Chemical	753,684	261,598
Commercial Banks	3,896,815	2,874,502
Engineering	855,646	670,867
Fertilizer	2,457,103	1,539,023
Food and Personal Care	1,393,503	1,359,655
Glass and Ceramics	203,855	73,016
Insurance	1,713,756	980,165
Investment Banks / Investment companies / Securities companies	513,840	378,282
Leasing Companies	21,890	21,891
Leather and Tanneries	189,470	189,470
Modarabas	120	120
Oil and Gas Exploration Companies	2,408,733	2,357,129
Oil and Gas Marketing Companies	5,954,784	5,799,864
Paper and Board	402,039	172,695
Pharmaceuticals	512,974	361,833
Power Generation and Distribution	2,988,617	2,778,748
Real Estate Investment Trust	586,526	586,526
Refinery	900,998	1,253,494
Sugar and Allied Industries	288,528	288,527
Synthetic and Rayon	91,980	91,980
Technology and Communication	960,033	993,620
Textile Composite	1,890,534	1,242,681
Textile Spinning	638,440	485,713
Textile Weaving	25,854	25,854
Transport	32,385	32,385
Vanaspati and Allied Industries	-	58,890
Woollen	-	647
Miscellaneous	86,486	86,486
	<b>33,242,726</b>	<b>29,062,226</b>

	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	----- (Rupees in '000) -----			
<b>Unlisted companies</b>				
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
JDM Textile Mills Limited	4,784	324,651	4,784	324,651
Gelcaps Pakistan Limited	4,665	8,842	4,665	9,801
Pakistan Agriculture Storage Service Corporation	5,500	1,623	5,500	109,831

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Unlisted companies	2020		2019	
	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	(6,640)	6,500	N/A
Atlas Power Limited	375,000	1,328,000	375,000	1,130,503
Attock Textile Mills Limited	200	N/A	200	N/A
Bunny's Limited	-	-	235,200	140,743
Pakistan Mortgage Refinance Company Limited	600,000	770,195	600,000	608,951
F.T.C. Management Company Private Limited	250	46,998	250	36,908
Fauji Akbar Portia Marines Terminal Limited	321,076	570,680	321,076	515,937
Fauji Oil Terminals and Distribution Limited	10,886	99,059	10,886	69,747
First Women Bank Limited	21,100	71,946	21,100	71,946
Fortune Securities Limited	5,000	7,574	5,000	7,408
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	46,890	30,346	43,979
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	74,484	1,526	71,187
National Investment Trust Limited	100	830,782	100	832,931
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410
Pakistan Tourism Development Corporation	100	82	100	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	1,322,458	132,888	1,269,793
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Industries	2	N/A	2	N/A
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A

\* Not available

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Unlisted companies	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Zulsham Engineering Works Limited	330	N/A*	330	N/A*
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Guarantee) Limited	50,000	139,362	50,000	147,332
Pakistan Corporate Restructuring Company Limited	96,000	N/A	96,000	N/A
	<b>1,865,982</b>		<b>2,101,182</b>	

\* Not available

	2020	2019
	(Rupees in '000)	
Debt Securities		
Listed		
- AAA	1,597,751	1,547,830
- AA+, AA, AA-	13,709,811	7,739,909
- A+, A, A-	700,000	299,880
- BBB+, BBB, BBB-	299,820	-
- Unrated	9,537,168	12,855,892
Cost	25,844,550	22,443,511
Unlisted		
- AAA	19,792,680	23,554,109
- AA+, AA, AA-	1,236,000	801,000
- A+, A, A-	1,866,667	500,000
- Unrated	11,510,397	12,955,266
Cost	34,405,744	37,810,375

### Foreign Securities

Government Securities	2020		2019	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
USA	<b>2,795,017</b>	<b>AA+</b>	<b>3,474,324</b>	<b>AA+</b>

	2020	2019
	(Rupees in '000)	
Non Government Debt Securities - Cost		
Listed		
- A+	79,438	1,408,492

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 10.6 Particulars relating to Held to Maturity securities are as follows:

##### Federal Government Securities - Government guaranteed

Market Treasury Bills  
Pakistan Investment Bonds  
Bai Muajjal with Government of Pakistan

	2020	2019
	------(Rupees in '000)-----	
	-	114,155,009
	168,676,415	184,864,103
	11,641,133	10,395,235
	<b>180,317,548</b>	<b>309,414,347</b>
<b>Debt securities</b>		
<b>Listed</b>		
- AA+, AA, AA-	<b>27,948</b>	<b>27,948</b>
<b>Unlisted</b>		
- Unrated	<b>387,025</b>	<b>388,759</b>
	<b>387,025</b>	<b>388,759</b>

##### Foreign Securities

##### Government Securities

Azerbaijan  
Bangladesh  
Kyrgyzstan  
Kingdom of Saudi Arabia  
Korea  
Tajikistan

2020		2019	
Cost	Rating	Cost	Rating
(Rupees in '000)		(Rupees in '000)	
646,649	BB+	484,683	BB+
27,277,984	Ba3	24,741,528	BB-
1,118,290	B2	1,400,585	B2
2,551,243	A	2,302,369	A+
734,572	AA	671,179	AA
90,071	Unrated	631,397	-
<b>32,418,809</b>		<b>30,231,741</b>	

##### Non Government Debt Securities

##### Listed

- Unrated - Cost

	2020	2019
	------(Rupees in '000)-----	
	<b>618</b>	<b>596</b>

**10.6.1** The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 218,678 million (2019: Rs. 328,496 million).

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

The Bank holds 30,333,333 (2019: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2019: 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 (2019: 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, 2020 amounted to Rs. 5.11 per share resulting in an impairment of Rs. 3,124 million (2019: Rs. 3,217 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, 2020

**10.9** Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,456 million (2019: Rs. 1,014 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, 2019	59,124
Pakistan Emerging Venture Limited	June 30, 2019	283
Pakistan Mercantile Exchange Limited	June 30, 2020	13,928

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>10.12 Investment in joint venture</b>			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	<b>6,054,005</b>	<b>5,827,985</b>

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

**10.13** The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2019: 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, 2020 amounts to Rs. 9,065 million. These shares can not be sold without concurrence of privatization commission.

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
--	--------------------------------------	--------------------------------------

### 10.15 Investments in subsidiaries

Cast-N-Link Products Limited	<b>1,245</b>	1,245
Less: provision for diminution in value of investments	<b>(1,245)</b>	(1,245)
	<b>-</b>	-

**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 0.000041% of the total assets of the Bank and the investment have been fully provided for, has not consolidated the financial statements of CNL.





## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>11.2 Particulars of advances (Gross)</b>		
In local currency	1,071,981,593	1,052,162,269
In foreign currencies	88,951,345	99,931,260
	<b>1,160,932,938</b>	<b>1,152,093,529</b>

**11.3** Advances include Rs. 171,813 million (2019: Rs. 149,377 million) which have been placed under non-performing status as detailed below:

	2020		2019	
Category of Classification	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- (Rupees in '000) -----			
<b>Domestic</b>				
Other Assets Especially Mentioned	1,626,950	45,392	1,299,042	78,430
Substandard	5,418,693	1,336,002	10,292,449	2,550,709
Doubtful	15,816,861	7,881,223	6,489,076	3,207,031
Loss	106,261,071	103,917,273	89,852,808	88,647,897
	<b>129,123,575</b>	<b>113,179,889</b>	<b>107,933,375</b>	<b>94,484,067</b>
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	11,666	9,183	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
>365 days	42,677,371	41,398,697	41,443,678	40,204,898
	<b>42,689,037</b>	<b>41,407,880</b>	<b>41,443,678</b>	<b>40,204,898</b>
<b>Total</b>	<b>171,812,612</b>	<b>154,587,769</b>	<b>149,377,054</b>	<b>134,688,966</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 11.4 Particulars of provision against advances

Note	2020			2019		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	134,688,966	9,005,951	143,694,917	126,969,680	7,207,106	134,176,786
Exchange adjustments	1,462,567	15,535	1,478,102	3,813,805	28,732	3,842,537
Charge for the year	19,001,917	13,707,207	32,709,124	11,501,956	2,018,117	13,520,073
Reversals	(3,138,355)	(321,795)	(3,460,150)	(4,730,294)	(248,004)	(4,978,298)
	15,863,562	13,385,412	29,248,974	6,771,662	1,770,113	8,541,775
Amounts written off 11.5.1	(89,494)	-	(89,494)	(33,004)	-	(33,004)
Amounts charged off - agriculture financing 11.4.1.3	(193,807)	-	(193,807)	(232,480)	-	(232,480)
Transfer from other assets	2,855,975	66,850	2,922,825	-	-	-
Amount charged off international branches	-	-	-	(1,776,734)	-	(1,776,734)
Amount charged off international subsidiaries	-	-	-	(91,274)	-	(91,274)
Other adjustments	-	-	-	(220,744)	-	(220,744)
Other movement	-	-	-	(511,946)	-	(511,946)
Closing balance	154,587,769	22,473,748	177,061,517	134,688,966	9,005,951	143,694,917

#### 11.4.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	113,179,889	22,274,089	135,453,978	94,484,067	8,550,136	103,034,203
In foreign currencies	41,407,880	199,659	41,607,539	40,204,898	455,815	40,660,713
	154,587,769	22,473,748	177,061,517	134,688,966	9,005,951	143,694,917

**11.4.1.1** The Group 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 Group has also maintained general provision of Rs. 17,078 million (2019: Rs. 3,850 million) in respect of its underperforming portfolio on prudent basis.

**11.4.1.2** The SBP had allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which were guaranteed by the Government of Pakistan as non-performing loans up till December 31, 2021.

**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, 2020

**11.4.1.4** State Bank of Pakistan ('SBP'), vide its BPRD circular letter No. 13 of 2020, has provided regulatory relief to dampen the effects of Covid-19 and allowed banks to offer deferral of principal component of installments to its borrowers for one year, provided that the borrower will continue to service the mark-up amount as per agreed terms & conditions.

During the year ended December 31, 2020, 77 borrowers having aggregate outstanding exposure of Rs. 27,395 million have availed regulatory relief extended by SBP.

		2020	2019
	Note	------(Rupees in '000)-----	
<b>11.5 Particulars of write-offs</b>			
<b>11.5.1</b> Against provisions	11.5.2	<b>89,494</b>	<b>33,004</b>
<b>11.5.2</b> Write Offs of Rs. 500,000 and above			
- Domestic	11.6	<b>40,260</b>	5,957
Write-offs of below Rs. 500,000		<b>49,234</b>	27,047
		<b>89,494</b>	<b>33,004</b>

### 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).

		2020	2019
	Note	------(Rupees in '000)-----	
<b>12. FIXED ASSETS</b>			
Capital work-in-progress	12.1	<b>2,232,001</b>	2,162,985
Property and equipment	12.2	<b>52,854,808</b>	52,756,579
		<b>55,086,809</b>	<b>54,919,564</b>
<b>12.1 Capital work-in-progress</b>			
Civil works		<b>2,040,456</b>	2,001,776
Equipment		<b>10,825</b>	15,446
Advances to suppliers and contractors		<b>59,000</b>	58,372
License and implementation fee for core banking software		-	40,491
Software implementation in progress		<b>121,720</b>	46,900
		<b>2,232,001</b>	<b>2,162,985</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 12.2 Property and equipment

#### At January 1, 2020

Cost / revalued amount  
Accumulated depreciation  
Net book value

#### Year ended December 2020

Opening net book value  
Additions  
Movement in surplus on assets revalued  
Disposals  
Depreciation charge  
Depreciation adjustment - disposal  
Exchange rate adjustments  
Other adjustments / transfers - cost  
Other adjustments / transfers - depreciation  
Closing net book value

#### At December 31, 2020

Cost / revalued amount  
Accumulated depreciation  
Net book value

Rate of depreciation (percentage)

2020												
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)												
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
-	-	(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)
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
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
-	-	3,622	46,509	862,190	314,363	531,086	196,439	76,083	-	-	-	2,030,292
261,564	310,289	28,757	59,670	-	-	-	-	-	-	-	-	660,280
-	-	-	(1,753)	(35,996)	(12,072)	(9,320)	(199,509)	(14,928)	-	(690)	(1,961)	(276,229)
-	-	(293,455)	(173,990)	(683,657)	(278,073)	(638,313)	(374,030)	(51,851)	(963)	(2,274)	(3,727)	(2,500,333)
-	-	-	1,713	17,337	7,133	5,873	161,764	6,506	-	686	1,953	202,965
-	-	-	(38,834)	(763)	39,551	(21,661)	3,249	-	-	-	-	(18,458)
-	-	-	(9,555)	8,902	(594)	(873)	727	(1,098)	(1)	-	-	(2,492)
-	-	-	5	622	641	705	(867)	1,028	70	-	-	2,204
20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
20,370,446	19,673,159	6,499,638	4,381,195	6,793,647	4,587,414	6,320,774	1,316,025	450,232	9,627	96,571	299,418	70,798,146
-	-	(1,242,781)	(911,172)	(4,734,748)	(4,343,448)	(5,220,437)	(923,581)	(244,651)	(2,415)	(42,808)	(277,297)	(17,943,338)
20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
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	

(Rupees in '000)

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

2019													
	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)													
<b>At January 1, 2019</b>													
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	334,500	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
<b>Year ended December 2019</b>													
Opening net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,500	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,072
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	-	-	-	-	(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	3,586,259	1,890,264	173,016	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,580
<b>At December 31, 2019</b>													
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	173,016	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	

During the year ended December 31, 2020, land and building were revalued. The basis of revaluations were desktop valuations and were carried by RBS Associates (Private) Limited (PBA registered valuer) independent of the Bank, resulting in surplus of Rs. 660 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, 2020

#### 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	Purchaser name
(Rupees in '000)							
Office Equipment & Electrical Installations	50	10	10	-	As per entitlement	Ex-Employee	Muhammad Saleem Qasim
Office Equipment & Electrical Installations	50	13	13	-	As per entitlement	Ex-Employee	Amjad Pervaiz
Office Equipment & Electrical Installations	49	33	33	-	As per entitlement	Ex-Employee	Zia Ur Rashid Ibrahim
Office Equipment & Electrical Installations	155	-	-	-	As per entitlement	Ex-Employee	Nasir Hussain
Office Equipment & Electrical Installations	50	-	-	-	As per entitlement	Employee	Muhammad Naeem Ansari
Office Equipment & Electrical Installations	464	-	-	-	As per entitlement	Ex-Employee	Aamir Sattar
Office Equipment & Electrical Installations	800	-	-	-	As per entitlement	Ex-Employee	Aamir Sattar
Office Equipment & Electrical Installations	35	15	15	-	As per entitlement	Ex-Employee	Muhammad Najmuddin
Office Equipment & Electrical Installations	30	-	-	-	As per entitlement	Ex-Employee	Khadija Adnan
Office Equipment & Electrical Installations	50	-	-	-	As per entitlement	Employee	Muhammad Naeem Ansari
	<b>1,733</b>	<b>71</b>	<b>71</b>	<b>-</b>			
Computer Equipment	93	-	9	9	As per entitlement	Employee	Amber Memon
Computer Equipment	59	-	6	6	As per entitlement	Employee	Prem Kumar
Computer Equipment	87	-	9	9	As per entitlement	Ex-Employee	Faraz Haider
Computer Equipment	64	-	6	6	As per entitlement	Employee	Shahid Ali Khan
Computer Equipment	101	-	10	10	As per entitlement	Employee	Abdul Wajid
Computer Equipment	90	-	9	9	As per entitlement	Ex-Employee	Saleem
Computer Equipment	140	-	14	14	As per entitlement	Employee	Asad Saleem
Computer Equipment	99	-	10	10	As per entitlement	Ex-Employee	Syed Tariq Hasan
Computer Equipment	99	-	10	10	As per entitlement	Employee	Umar Azim Daudpota
Computer Equipment	183	-	-	-	As per entitlement	Ex-Employee	Nasir Hussain
Computer Equipment	110	-	-	-	As per entitlement	Ex-Employee	Amjad Pervaiz
Computer Equipment	140	-	14	14	As per entitlement	Employee	Muhammad Naeem Ansari
	<b>1,265</b>	<b>-</b>	<b>97</b>	<b>97</b>			



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Furniture & Fixtures	125	71	71	-	As per entitlement	Ex-Employee	Muhammad Akhtar
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Maqsood Ahmed
Furniture & Fixtures	150	31	31	-	As per entitlement	Ex-Employee	Farhat Anjum Shaikh
Furniture & Fixtures	150	35	35	-	As per entitlement	Ex-Employee	Niaz Ahmed Chatha
Furniture & Fixtures	125	25	25	-	As per entitlement	Ex-Employee	Muhammad Adnan
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Bilquees Talat
Furniture & Fixtures	125	39	39	-	As per entitlement	Ex-Employee	Sharaf Ahmed
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ashraf
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Akram
Furniture & Fixtures	125	67	67	-	As per entitlement	Ex-Employee	Naveed Akhtar
Furniture & Fixtures	125	60	60	-	As per entitlement	Ex-Employee	Muhammad Aslam Lalani
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shaheen Aijaz
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Late Mehboob Ali Abro
Furniture & Fixtures	125	17	17	-	As per entitlement	Ex-Employee	Muhammad Ilyas Bashir
Furniture & Fixtures	150	45	45	-	As per entitlement	Ex-Employee	Haji Anwar Baloch
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Tariq Mehmood Bukhari
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Rafique
Furniture & Fixtures	125	31	31	-	As per entitlement	Ex-Employee	Ghulam Akbar Chandio
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Nasir Ehsan
Furniture & Fixtures	150	78	78	-	As per entitlement	Ex-Employee	Muhammad Ejaz
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Late Mehboob Ellahi
Furniture & Fixtures	125	41	41	-	As per entitlement	Ex-Employee	Muhammad Fayyaz Qureshi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Farooq
Furniture & Fixtures	125	1	1	-	As per entitlement	Ex-Employee	Shaheen Haider
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Akhtar Hussain
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Mureed Hussain Shaikh
Furniture & Fixtures	125	63	63	-	As per entitlement	Ex-Employee	Manzoor Hussain
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Hayat
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Syed Iftikhar Hussain
Furniture & Fixtures	175	-	-	-	As per entitlement	Ex-Employee	Masood Iqbal
Furniture & Fixtures	175	70	70	-	As per entitlement	Ex-Employee	Zia Ur Rashid Ibrahim
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahid Iqbal
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ismail
Furniture & Fixtures	125	15	15	-	As per entitlement	Ex-Employee	Sajida Ishaq
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Javed Iqbal
Furniture & Fixtures	125	68	68	-	As per entitlement	Ex-Employee	Muhammad Javed
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahid Javid
Furniture & Fixtures	150	35	35	-	As per entitlement	Ex-Employee	Dilpazir Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Bashir Ahmed Khan
Furniture & Fixtures	125	58	58	-	As per entitlement	Ex-Employee	Muhammad Rasheed
Furniture & Fixtures	300	-	-	-	As per entitlement	Ex-Employee	Shafiq Ahmed Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Jamil Khan

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Furniture & Fixtures	150	50	50	-	As per entitlement	Ex-Employee	Muhammad Asghar
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Farooq Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Ali Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Late Abdul Sami
Furniture & Fixtures	150	70	70	-	As per entitlement	Ex-Employee	Khalid Mehmood
Furniture & Fixtures	150	69	69	-	As per entitlement	Ex-Employee	Hassan Ali Memon
Furniture & Fixtures	150	82	82	-	As per entitlement	Ex-Employee	Tariq Mehmood
Furniture & Fixtures	190	44	44	-	As per entitlement	Ex-Employee	Wasi Murtaza
Furniture & Fixtures	125	29	29	-	As per entitlement	Ex-Employee	Raja Sultan Mehmood
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Tariq Mahmood
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Nazia Ghulam Muhammad
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	S.M Rashid Nabi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Khurshud Agned Nishat
Furniture & Fixtures	150	16	16	-	As per entitlement	Ex-Employee	Muhammad Najamuddin
Furniture & Fixtures	175	19	19	-	As per entitlement	Ex-Employee	Amjad Pervez
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Agha Fazalullah
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Abdul Rahim Qureshi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ramzan
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Rauf
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Mian Shafiq Ur Rehman
Furniture & Fixtures	175	55	55	-	As per entitlement	Ex-Employee	Muhammad Salim Qasim
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Ch.Muhammad Shafi
Furniture & Fixtures	125	53	53	-	As per entitlement	Ex-Employee	Muhammad Shafi
Furniture & Fixtures	125	43	43	-	As per entitlement	Ex-Employee	Muhammad Sabir
Furniture & Fixtures	125	75	75	-	As per entitlement	Ex-Employee	Muhammad Saleem
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Sohail
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahzad Saleem
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Razzak Shaikh
Furniture & Fixtures	150	69	69	-	As per entitlement	Ex-Employee	Muhammad Shahid
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	M. Shamim Shakir
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Latif Solongi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Fazeel Tahir
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Usman
Furniture & Fixtures	150	21	21	-	As per entitlement	Ex-Employee	Ghulam Qadir Jam
Furniture & Fixtures	190	82	82	-	As per entitlement	Ex-Employee	Syed Ajmal Habib
Furniture & Fixtures	190	63	63	-	As per entitlement	Ex-Employee	Muhammad Saleem Adil
Furniture & Fixtures	150	34	34	-	As per entitlement	Ex-Employee	Abdul Qayum Zia
Furniture & Fixtures	175	83	83	-	As per entitlement	Ex-Employee	Arif Raza Abdy
Furniture & Fixtures	150	20	20	-	As per entitlement	Ex-Employee	Arshad Mahmood
Furniture & Fixtures	175	7	7	-	As per entitlement	Employee	Muhammad Naeem Ansari
Furniture & Fixtures	500	319	319	-	As per entitlement	Ex-Employee	Tariq Jamali
Furniture & Fixtures	150	34	34	-	As per entitlement	Ex-Employee	Abid Ali Siddiqi

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
(Rupees in '000)							
Furniture & Fixtures	160	63	63	-	As per entitlement	Ex-Employee	Bilqis Sikandar
Furniture & Fixtures	150	64	64	-	As per entitlement	Ex-Employee	Muhammad Younas
Furniture & Fixtures	300	95	95	-	As per entitlement	Employee	Imdad Hussain
Furniture & Fixtures	175	33	33	-	As per entitlement	Ex-Employee	Khadija Adnan
Furniture & Fixtures	335	131	131	-	As per entitlement	Employee	Azra Naila Uzair
Furniture & Fixtures	175	41	41	-	As per entitlement	Ex-Employee	Hafiz Muhammad Fayyaz
Furniture & Fixtures	175	22	22	-	As per entitlement	Ex-Employee	Abdul Aziz Nadeem
Furniture & Fixtures	150	5	5	-	As per entitlement	Ex-Employee	Hamid Rasool Qadri
Furniture & Fixtures	200	82	82	-	As per entitlement	Ex-Employee	Mumtaz Rafi
Furniture & Fixtures	125	57	57	-	As per entitlement	Ex-Employee	Raja Ejaz Ahmed
	14,190	2,780	2,780	-			
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Asad Saleem
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Farooq Ahmed Soomro
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Mashkoor Ahmed Khan
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmed Naseem
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Salman Talat
Motor Vehicles	1,873	468	468	-	As per entitlement	Employee	Shaukat Mahmood
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abid Kithclew
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Mubashir Ahmad
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Tariq Zafar Iqbal
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Hidayat Ali Shar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Majeed Arshad
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Syed Naveed Asghar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Muhammad Akram Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Aziz Ur Rehman
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Ehsan Tabassum
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Jamal Tariq
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Zaman Khan
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	Ovais Asad Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Hamid Raza
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Kamran Masud Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Rashid Mirza
Motor Vehicles	1,658	304	332	28	As per entitlement	Ex-Employee	Abdul Qadir
Motor Vehicles	1,658	304	332	28	As per entitlement	Ex-Employee	Saeed Habib
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Manzur Ahmad
Motor Vehicles	1,858	341	372	31	As per entitlement	Employee	Muhammad Ismail Usuf
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	M.Atlas Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Syed Waseem Akhtar
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	S.H.Irtiza Kazmi
Motor Vehicles	1,858	341	372	31	As per entitlement	Employee	Karim Akram Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Muhammad Farrukh Ghouri

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Sarfaraz Ahmed
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Shaikh Tariq Abdullah
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Wajahat Malik
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmad Sohail Warraich
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	Khadim Hussain
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Tarannum Sarwar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Farooq Hasan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	M.Iqbal Malik
Motor Vehicles	1,873	343	375	32	As per entitlement	Employee	Shahid Iqbal Choudry
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmer Liaquat
Motor Vehicles	1,658	221	332	111	As per entitlement	Ex-Employee	Aziz Ur Rehman
Motor Vehicles	1,673	446	446	-	As per entitlement	Ex-Employee	Masood Iqbal
Motor Vehicles	1,567	313	313	-	As per entitlement	Employee	Mahmood Akhtar Nadeem
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	M.Ahsan Aslam
Motor Vehicles	1,658	276	332	56	As per entitlement	Ex-Employee	M.Khursheed Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Amjad Pervaiz
Motor Vehicles	1,673	446	446	-	As per entitlement	Ex-Employee	Muhammad Salim Qasim
Motor Vehicles	1,664	610	610	-	As per entitlement	Ex-Employee	Talat Khurshid
Motor Vehicles	1,789	745	745	-	As per entitlement	Ex-Employee	Shafiq Ahmed Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Saleem Saleemi
Motor Vehicles	1,658	635	635	-	As per entitlement	Ex-Employee	M.Saleem Baig
Motor Vehicles	5,106	766	766	-	As per entitlement	Ex-Employee	Kausar Iqbal Malik
Motor Vehicles	1,643	438	438	-	As per entitlement	Ex-Employee	Syed Tariq Hasan
Motor Vehicles	1,858	186	186	-	As per entitlement	Ex-Employee	Nasir Hussain
Motor Vehicles	1,714	996	996	-	As per entitlement	Ex-Employee	Syed Hasan Mustafa Naqvi
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Dawood Jan Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Masood Yasin
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Amjad
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Muhammad Saqib
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Rafique Ahmed Bhurgri
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Farhan Javaid Durrani
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Ghulam Rasool
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Mansoor Hussain Qureshi
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Aqeel Muslim
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Nasir Khan
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Hananeel Azhar Joseph
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Mumtaz Ahmed Farooq
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Nadeem Khan
Motor Vehicles	1,893	725	725	-	As per entitlement	Ex-Employee	Khawar Saeed
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Qaiser Rasheed
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Irshad Ahmed
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Akhtar Munir
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Syed Rehan Mobin
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Abdul Hadi Palekar
Motor Vehicles	1,673	251	335	84	As per entitlement	Employee	Rashid Ata

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
----- (Rupees in '000) -----							
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Shakeel Ahmed
Motor Vehicles	1,743	349	349	-	As per entitlement	Employee	Shahzad Karimi
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Akram
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Shahid Iqbal Khan
Motor Vehicles	5,136	978	1,027	49	As per entitlement	Employee	Syed Jamal Baquar
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Hakim Ali Laghari
Motor Vehicles	1,673	307	335	28	As per entitlement	Ex-Employee	Akhter Hussain Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Rana Mujahid Ali
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Aamir Shabbir
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Ashfaq Ahmed Qadir
Motor Vehicles	1,658	-	166	166	As per entitlement	Employee	Umar Azim Daudpota
Motor Vehicles	1,673	223	335	112	As per entitlement	Employee	Ahmar Qadeer
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Zulfiqar Ali
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Pir Baksh
Motor Vehicles	1,743	335	335	-	As per entitlement	Employee	Zahida Hamid
Motor Vehicles	1,664	555	1,054	499	As per entitlement	Ex-Employee	Ansar Raza Goraha
Motor Vehicles	1,658	83	332	249	As per entitlement	Ex-Employee	Arif Raza Abdy
Motor Vehicles	1,708	370	370	-	As per entitlement	Employee	Muhammad Naeem Ansari
Motor Vehicles	5,106	-	511	511	As per entitlement	Ex-Employee	Tariq Jamali
Motor Vehicles	1,673	390	390	-	As per entitlement	Ex-Employee	Khadija Adnan
Motor Vehicles	1,673	223	223	-	As per entitlement	Ex-Employee	Tanvir Yaqub
Motor Vehicles	1,538	308	527	219	As per entitlement	Ex-Employee	Hafiz Muhammad Fayyaz
Motor Vehicles	1,824	942	942	-	As per entitlement	Ex-Employee	Abdul Aziz Nadeem
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Noor Ul Islam
	<b>177,480</b>	<b>35,177</b>	<b>38,279</b>	<b>3,102</b>			
	<b>194,668</b>	<b>38,028</b>	<b>41,227</b>	<b>3,199</b>			

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 13. INTANGIBLE ASSETS

#### At January 1, 2020

Cost	
Accumulated amortisation and impairment	
Net book value	

#### Year ended December 2020

Opening net book value	
Additions:	
- developed internally	
- directly purchased	
Adjustments - addition	
Disposals	
Amortisation charge	
Other adjustments - cost	
Other adjustments - amortisation	
Closing net book value	

#### At December 31, 2020

Cost	
Accumulated amortisation and impairment	
Net book value	
Rate of amortisation (percentage)	
Useful life	

2020					
Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
(Rupees in '000)					
2,913,953	1,310,345	1,041	655,146	4,774	4,885,259
(2,913,953)	(804,164)	(1,041)	(92,593)	(2,742)	(3,814,493)
-	506,181	-	562,553	2,032	1,070,766
-	506,181	-	562,553	2,032	1,070,766
-	146,646	-	-	-	146,646
-	1,576	-	-	-	1,576
-	45,756	-	-	-	45,756
-	-	-	-	-	-
-	(238,932)	-	-	-	(238,932)
-	(4,853)	-	-	-	(4,853)
-	1,184	-	-	-	1,184
-	457,558	-	562,553	2,032	1,022,143
2,913,953	1,499,470	1,041	655,146	4,774	5,074,384
(2,913,953)	(1,041,912)	(1,041)	(92,593)	(2,742)	(4,052,241)
-	457,558	-	562,553	2,032	1,022,143
33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
3 years	3 years	3 years			

#### At January 1, 2019

Cost	
Accumulated amortisation and impairment	
Net book value	

#### Year ended December 2019

Opening net book value	
Additions:	
- developed internally	
- directly purchased	
Adjustments - addition	
Disposals	
Amortisation charge	
Other adjustments - cost	
Other adjustments - amortization	
Closing net book value	

#### At December 31, 2019

Cost	
Accumulated amortisation and impairment	
Net book value	
Rate of amortisation (percentage)	
Useful life	

2019					
Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
(Rupees in '000)					
2,913,953	627,981	1,041	655,146	4,774	4,202,895
(2,800,926)	(448,693)	(1,041)	(92,593)	(2,742)	(3,345,995)
113,027	179,288	-	562,553	2,032	856,900
113,027	179,288	-	562,553	2,032	856,900
-	57,219	-	-	-	57,219
-	438,010	-	-	-	438,010
-	178,877	-	-	-	178,877
-	-	-	-	-	-
(113,027)	(214,855)	-	-	-	(327,882)
-	8,258	-	-	-	8,258
-	(140,616)	-	-	-	(140,616)
-	506,181	-	562,553	2,032	1,070,766
2,913,953	1,310,345	1,041	655,146	4,774	4,885,259
(2,913,953)	(804,164)	(1,041)	(92,593)	(2,742)	(3,814,493)
-	506,181	-	562,553	2,032	1,070,766
33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
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 15.3% and terminal growth of 3.3% considering five years cash flows. Further, discount for lack of marketability is also considered at the rate of 20%. Other key assumption used in the method are management fees, growth rates on asset under management keeping in view of industry growth, expenses based on the historic growth trends, short term investment with the assumption of reinvestment and discount rate which is based on risk free rate, sector beta and market equity risk premium.

As a result, the recoverable amount exceeds the carrying value as at December 31, 2020, therefore, management did not identify any impairment.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

		2020	2019
		------(Rupees in '000)-----	
<b>14. RIGHT-OF-USE ASSETS</b>			
The recognised right-of-use assets relate to the following types of assets:			
Balance as at January 01,		7,447,414	8,201,792
Additions during the period		1,622,504	1,185,554
Depreciation charged for the period		2,052,898	1,939,932
<b>Balance as at December 31,</b>		<b>7,017,020</b>	<b>7,447,414</b>
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.			
<b>15. OTHER ASSETS</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		------(Rupees in '000)-----	
Income / return / mark-up accrued in local currency - net of provision		39,649,974	52,636,870
Income / return / mark-up accrued in foreign currency - net of provision		2,353,317	2,577,971
Advances, deposits, advance rent and other prepayments	15.1	3,069,977	7,989,931
Advance taxation (payments less provisions)	15.6	3,113,391	9,310,764
Income tax refunds receivable	15.6	24,278,882	42,667,383
Compensation for delayed tax refunds		17,556,551	13,722,128
Non-banking assets acquired in satisfaction of claims	15.4	3,750,925	3,284,853
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Unrealized gain on forward foreign exchange contracts		-	-
Commission receivable on Government. treasury transactions		4,612,174	4,065,704
Stationery and stamps on hand		499,511	435,733
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		128,290	492,009
Receivable from Pakistan Stock Exchange		128,743	6,331
Receivable from mutual funds		892,552	791,738
Acceptances		15,741,754	26,934,779
Others		6,760,465	10,462,646
		<b>123,682,334</b>	<b>176,524,668</b>
Less: Provision held against other assets	15.5	11,882,119	10,853,588
Other assets (net of provision)		<b>111,800,215</b>	<b>165,671,080</b>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		217,404	477,215
Other assets - total		<b>112,017,619</b>	<b>166,148,295</b>

- 15.1** This includes Rs. 800 million (2019: Rs. 5,808 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.

		2020	2019
		------(Rupees in '000)-----	
<b>15.4</b>	Market value of Non-banking assets acquired in satisfaction of claims	<b>3,968,329</b>	3,762,068

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 December 31, 2020. 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 Consolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	------(Rupees in '000)-----	
<b>15.4.1 Non-banking assets acquired in satisfaction of claims</b>		
Opening Balance	3,762,068	3,594,660
Revaluation	217,404	477,215
Depreciation	(15,784)	(29,577)
Adjustment	4,641	38,041
Transfer to operating fixed assets	-	(318,271)
Closing Balance	3,968,329	3,762,068
<b>15.5 Provision held against other assets</b>		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	4,092,280	2,555,322
Provision against FE-25 loans	-	1,734,591
Ex-MBL / NDFC - other assets	770,398	770,398
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	208,423
Others	4,786,515	3,560,351
	11,882,119	10,853,588
<b>15.5.1 Movement in provision held against other assets</b>		
Opening balance	10,853,588	8,884,661
Charge for the year	1,511,502	1,589,466
Transfer (out) / in	(484,393)	457,738
Adjustment against provision	1,422	(78,277)
Closing balance	11,882,119	10,853,588
<b>15.6</b> During the year, the Group has adjusted its advance tax liability and demand of previous tax year against prior year income tax refunds receivables.		
	2020	2019
	------(Rupees in '000)-----	
<b>16. BILLS PAYABLE</b>		
In Pakistan	16,718,064	19,648,708
Outside Pakistan	77,122	218,716
	16,795,186	19,867,424

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	------(Rupees in '000)-----	
<b>17. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	2,451,874	1,908,291
Under Export Refinance Scheme (New Scheme)	28,686,149	20,687,441
Financing Scheme for Renewable Energy	481,261	236,175
Refinance Facility for Modernization of SMEs	177,976	45,000
Financing Facility for storage of Agriculture Produce (FFSAP)	256,184	284,012
Under Long-Term Financing Facility (LTFF)	16,380,117	8,923,286
Refinance Scheme for Payment of Wages and Salaries	1,167,527	-
Temporary Economic Refinance Facility	537,912	-
Refinance Facility for Combating Covid-19	61,448	-
	<b>50,200,448</b>	<b>32,084,205</b>
Repurchase agreement borrowings	5,266,007	332,053,770
Bai Muajjal	79,788,522	59,069,167
<b>Total secured</b>	<b>135,254,977</b>	<b>423,207,142</b>
<b>Unsecured</b>		
Call borrowings	2,047,588	39,052,969
Overdrawn nostro accounts	1,236,440	3,467,767
Bai Muajjal	-	6,029,474
Others - SBP Liabilities on Bangladesh borrowings	-	-
<b>Total unsecured</b>	<b>3,284,028</b>	<b>48,550,210</b>
	<b>138,539,005</b>	<b>471,757,352</b>
<b>17.1 Particulars of borrowings with respect to currencies</b>		
In local currency	136,491,430	432,843,644
In foreign currencies	2,047,575	38,913,708
	<b>138,539,005</b>	<b>471,757,352</b>
<b>17.2 Mark-up / interest rates and other terms are as follows:</b>		
-	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% (2019: 3%).	
-	Repurchase agreement borrowings carry mark-up ranging from 7% to 7.05% per annum (2019: 13.2% to 13.32% per annum) having maturity on January 8, 2021.	
-	Call borrowings carry interest ranging from 0% to 2.0% per annum (2019: 1.75% to 4.0% per annum).	
<b>17.3</b>	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.	
<b>17.4</b>	Pakistan Investment Bond and Market Treasury Bills having maturity of 5 years and 6 months respectively, are pledged as security under borrowing having carrying amount of Rs. 5,266 million (2019: Rs. 332,054 million).	

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 18. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- (Rupees in '000) -----						
<b>Customers</b>						
Current deposits - remunerative	405,738,851	-	405,738,851	320,884,110	-	320,884,110
Current deposits - non-remunerative	433,284,063	116,597,781	549,881,844	387,189,069	139,244,567	526,433,636
Savings deposits	637,694,450	66,235,665	703,930,115	533,399,568	52,502,297	585,901,865
Term deposits	276,454,916	81,153,488	357,608,404	285,063,204	75,448,185	360,511,389
Others	4,683,735	316,040	4,999,775	4,970,352	3,924	4,974,276
	1,757,856,015	264,302,974	2,022,158,989	1,531,506,303	267,198,973	1,798,705,276
<b>Financial Institutions</b>						
Current deposits	360,373,331	654,758	361,028,089	357,457,518	375,807	357,833,325
Savings deposits	4,253,051	3,246,855	7,499,906	4,405,416	2,911,091	7,316,507
Term deposits	12,392,089	8,739,494	21,131,583	21,655,082	5,638,426	27,293,508
Others	7,109,902	-	7,109,902	6,549,217	286,740	6,835,957
	384,128,373	12,641,107	396,769,480	390,067,233	9,212,064	399,279,297
	2,141,984,388	276,944,081	2,418,928,469	1,921,573,536	276,411,037	2,197,984,573

#### 18.1 Composition of deposits

	2020	2019
	----- (Rupees in '000) -----	
Individuals	847,730,521	700,612,760
Government (Federal and Provincial)	674,985,259	602,785,706
Public Sector Entities	257,336,852	237,284,226
Banking Companies	368,302,117	379,108,513
Non-Banking Financial Institutions	29,051,796	20,196,519
Private Sector	241,521,924	257,996,849
	2,418,928,469	2,197,984,573

18.2 Foreign currencies deposits include deposit of foreign branches amounting to Rs. 73,145 million (2019: Rs. 85,488 million).

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 981,942 million (2019: Rs. 859,148 million) including islamic branches.

### 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2020			2019		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
----- (Rupees in '000) -----						
Not later than one year	83,677	10,197	73,480	74,023	17,757	56,266
Later than one year and upto five years	129,092	5,348	123,744	151,479	13,342	138,137
Over five years	-	-	-	-	-	-
	212,769	15,545	197,224	225,502	31,099	194,403

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 6M KIBOR + 1.75% per annum (2019: 6M KIBOR + 1.75% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	------(Rupees in '000)-----	
<b>20. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS</b>		
Lease liabilities included in the statement of financial position As at December 31,	<b>7,869,355</b>	7,831,350
Of which are:		
Current lease liability	<b>1,517,181</b>	1,339,898
Non-current lease liability	<b>6,352,174</b>	6,491,452
	<b>7,869,355</b>	7,831,350
<b>Maturity analysis - contractual undiscounted cashflows</b>		
Less than one year	<b>2,473,379</b>	2,097,191
One to five years	<b>6,130,245</b>	6,753,791
More than five years	<b>5,843,702</b>	6,652,960
Total undiscounted lease liabilities as at December 31,	<b>14,447,326</b>	15,503,942

## 21. DEFERRED TAX

2020			
At January 1, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2020
------(Rupees in '000)-----			

### Deductible Temporary Differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against advances
- Provision against off-balance sheet obligations
- Other provision
- Others

10,705	-	-	10,705
3,905,148	14,914	268,139	4,188,201
236,751	-	-	236,751
2,625,495	6,459,106	-	9,084,601
115,222	-	-	115,222
105,416	-	-	105,416
3,827	(329)	(441)	3,058
7,002,564	6,473,691	267,698	13,743,954

### Taxable Temporary Differences on

- Surplus on revaluation of fixed assets
- Excess of accounting book value of leased assets over lease liabilities
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Others

(1,695,407)	452,339	(29,777)	(1,272,845)
(3,720)	(6,682)	(2,278)	(12,680)
(13,816,519)	-	(1,530,321)	(15,346,840)
(41,439)	-	(3,274)	(44,713)
(2,314,832)	2,314,832	-	-
(17,871,917)	2,760,489	(1,565,650)	(16,677,078)
(10,869,353)	9,234,180	(1,297,952)	(2,933,124)

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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	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	7,002,564
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets	(1,822,205)	154,018	(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)	-	(13,816,519)
- Surplus on revaluation of non-banking assets	(55,208)	-	(41,439)
- Others	(2,314,832)	-	(2,314,832)
	(10,862,424)	152,775	(17,871,917)
	(6,945,767)	2,153,565	(10,869,353)

		2020	2019
Note		(Rupees in '000)	
<b>22. OTHER LIABILITIES</b>			
Mark-up / Return / Interest payable in local currency		37,808,884	57,027,903
Mark-up / Return / Interest payable in foreign currency		844,452	439,959
Unearned commission and income on bills discounted		1,593,730	3,058,753
Accrued expenses		18,315,863	19,037,792
Advance payments		398,682	430,377
Acceptances		15,741,754	26,934,779
Unclaimed dividends		185,516	186,668
Unrealized loss on forward foreign exchange contracts		2,918,017	4,358,883
Unrealized loss on put option		306,339	306,339
Branch adjustment account		917,487	926,311
Employee benefits:			
Pension fund		15,704,077	14,785,647
Post retirement medical benefits		22,282,747	18,333,947
Benevolent scheme		2,054,218	1,749,006
Gratuity scheme		2,956,827	2,403,018
Compensated absences		9,251,755	8,344,182
Staff welfare fund		371,257	371,257
Liabilities relating to Barter trade agreements		2,142,033	5,539,436
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies	22.1	4,180,071	4,629,645
Payable to brokers		65,137	38,667
Payable to customers		301,585	158,180
PIBs shortselling		3,237,676	256,284
Others		15,339,746	14,688,731
		<b>157,545,347</b>	<b>184,633,258</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
Note	------(Rupees in '000)-----	
<b>22.1 Provision against contingencies</b>		
Opening balance	4,629,645	3,734,889
Charge during the year	381,090	1,152,495
Transfer out	(830,664)	(457,739)
Other movement	-	200,000
Closing balance	22.1.1 4,180,071	4,629,645

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

2020	2019		2020	2019
----- (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

2020	2019		2020	2019
----- (Number of shares) -----			----- (Rupees in '000) -----	
140,388,000	140,388,000	Ordinary shares	1,403,880	1,403,880
1,987,125,026	1,987,125,026	Fully paid in cash	19,871,251	19,871,251
2,127,513,026	2,127,513,026	Issued as bonus shares	21,275,131	21,275,131

The Federal Government and the SBP held 75.60% (2019: 75.60%) shares of the Bank.

#### 23.3 Shares of the Bank held by subsidiary and associate

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

	2020	2019
	------(Number of shares)-----	
First Credit & Investment Bank Limited	70,000	70,000
NBP Stock Fund	-	330,000
	70,000	400,000

### 24. RESERVES

#### 24.1 Exchange translation reserve

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

#### 24.2 Statutory reserve

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

#### 24.3 General loan loss reserve

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

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

		2020	2019
	Note	(Rupees in '000)	
<b>25. SURPLUS ON REVALUATION OF ASSETS</b>			
Net surplus on revaluation of :			
- Available for sale securities	10.1	43,867,153	39,455,572
- Fixed Assets	25.1	45,421,244	45,096,875
- Non-banking assets acquired in satisfaction of claims	25.2	2,757,207	2,539,695
- On securities of associates and joint venture		(269,430)	(385,602)
		<b>91,776,174</b>	<b>86,706,540</b>
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(15,346,840)	(13,816,519)
- Fixed Assets	25.1	(2,396,819)	(2,489,995)
- Non-banking assets acquired in satisfaction of claims	25.2	(44,713)	(41,439)
		<b>(17,788,372)</b>	<b>(16,347,953)</b>
		<b>73,987,802</b>	<b>70,358,587</b>
<b>25.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		44,576,547	44,292,018
Recognised during the year		660,281	653,070
Realised on disposal during the year - net of deferred tax		-	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(230,379)	(239,552)
Related deferred tax liability on incremental depreciation charged during the year		(124,050)	(128,989)
Surplus on revaluation of fixed assets as at December 31		<b>44,882,399</b>	<b>44,576,547</b>
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,489,995)	(2,588,785)
- revaluation recognised during the year		(30,874)	(30,199)
- incremental depreciation charged during the year		124,050	128,989
		<b>(2,396,819)</b>	<b>(2,489,995)</b>
Share of surplus on revaluation of fixed assets of associates and joint venture		538,845	520,328
		<b>43,024,425</b>	<b>42,606,880</b>
<b>25.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 1		2,539,695	2,062,480
Recognised during the year		217,512	477,215
Surplus on revaluation as at December 31		<b>2,757,207</b>	<b>2,539,695</b>
Less: related deferred tax liability on:			
- revaluation as at January 1		(41,439)	(55,208)
- revaluation recognised during the year		(3,274)	13,769
		<b>(44,713)</b>	<b>(41,439)</b>
		<b>2,712,494</b>	<b>2,498,256</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ------(Rupees in '000)-----	2019
<b>26. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	26.1	206,831,672	161,579,745
Commitments	26.2	1,433,601,765	1,761,652,119
Other contingent liabilities	26.3	34,820,672	30,664,297
		<b>1,675,254,109</b>	<b>1,953,896,161</b>
<b>26.1 Guarantees:</b>			
Financial guarantees		137,366,954	101,841,274
Performance guarantees		69,464,718	59,738,471
		<b>206,831,672</b>	<b>161,579,745</b>
<b>26.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		986,016,071	937,616,635
Commitments in respect of:			
- forward foreign exchange contracts	26.2.1	419,327,735	801,290,548
- forward government securities transactions	26.2.2	27,625,340	22,164,581
Commitments for acquisition of:			
- operating fixed assets		632,619	566,855
- intangible assets		-	-
Other commitments	26.2.3	-	13,500
		<b>1,433,601,765</b>	<b>1,761,652,119</b>
<b>26.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		272,245,550	478,842,756
Sale		147,082,185	322,447,792
		<b>419,327,735</b>	<b>801,290,548</b>

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.

	2020 ------(Rupees in '000)-----	2019
<b>26.2.2 Commitments in respect of forward government securities transactions</b>		
Purchase	496,331	256,814
Sale	27,129,009	21,907,767
	<b>27,625,340</b>	<b>22,164,581</b>

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, 2020

	2020	2019
	------(Rupees in '000)-----	
<b>26.2.3 Professional services to be received</b>	-	13,500
<b>26.3 Other contingent liabilities</b>		
<b>26.3.1 Claim against the Group not acknowledged as debt</b>	<b>34,820,672</b>	<b>30,664,297</b>

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2019: Rs. 1,597 million).

### 26.3.2 Taxation

Tax returns of the Bank have been filed up to tax year 2019 and amended by tax authorities up to tax year 2019. Tax year 2019 has been selected for tax audit under section 177 of the Income Tax Ordinance, 2001 in July 2020 which is on-going. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2020.

- During the year the Taxation Officer issued show-cause notices under section 221 of the Income Tax Ordinance, 2001 to the Bank to withdraw compensation on delayed refunds already given to the Bank, and questioned issuance of refund orders already issued to the Bank in the past several years which had become past and closed transactions and thus legally fall outside the scope of rectification. The amount involved is Rs. 14.8 billion and Rs. 21.25 billion respectively. These notices being totally illegal were challenged by the Bank before the Honourable Sindh High Court (SHC) which instructed the taxation officer not to take adverse action. The Honourable SHC has stayed the recovery of tax demands. The Bank as a matter of abundant caution, have also filed appeal before CIR(A), the hearing may take place after the Honourable SHC decides the outcome of petitions filed in favor of the Bank.
- Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders are recently passed by taxation officer for tax years 2006 and 2007 on June 30, 2020, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1,032 million and Rs. 1,395 million respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein.
- The Additional Commissioner, PRA has passed an order creating the Punjab sales tax liability on the non-withholding of Punjab Sales Tax on the insurance services received by the Bank for the tax periods January 2016-December 2016 and January 2017-December 2017 amounting to Rs. 254.734 million and Rs. 281.774 million respectively. The rectification application has been submitted under section 79 of the Punjab Sales Tax on Services Act, 2012 for the apparent mistake of facts. After the rectification, the net principal exposure would be Rs. 56.621 million and Rs. 50.685 million. Based on the legal and factual position, the Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor.
- 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, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of tax year 2013. Miscellaneous Application before CIR(A) as well as appeal before Appellate Tribunal have been filed by Bank. The aggregate effect of these contingencies as on December 31, 2020, including amount of Rs. 645.97 million (December 31, 2019: Rs. 183.455 million) in respect of indirect tax issues, amounts to Rs. 21.163 billion (December 31, 2019: Rs. 18.166 billion). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 26.3.3 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Group considers that except for Pensionary benefits note 26.3.3.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

#### 26.3.3.1 Pensionary benefits to retired employees

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

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

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

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

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

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

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

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. 68.2 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for the current year and onward will also increase by Rs. 6.8 billion due to this decision. Based on the opinion of legal counsel. No provision has been made in these consolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

#### 26.3.3.2 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing arrangements

The Bank outsourced certain 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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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.

### 26.3.3.3 Litigation related to management trainee program

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

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

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

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 off 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 judgement 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.

During the year, the Bank has entered an out of court settlements which has successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Further, the Bank has carried out an assessment to ascertain the financial implications of the case with respect to non-petitioners and accordingly, they were also encouraged to enter into a similar agreement with Bank. The management is in the process of negotiation and is confident to undertake the agreement with remaining petitioners and non-petitioners. Furthermore, with respect to ongoing litigation, the management has reflected any potential impact it may have in an appropriate manner in these consolidated financial statements.

### 26.4 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 has made considerable progress and seeks to comply with all possible laws and regulations.

	2020	2019
	------(Rupees in '000)-----	
<b>27. MARK-UP / RETURN / INTEREST EARNED</b>		
Loans and advances	99,797,877	109,691,501
Investments	154,128,269	122,407,550
On securities purchased under resale agreements	2,474,560	5,463,361
Balances with other banks	1,630,672	2,147,878
	<b>258,031,378</b>	<b>239,710,290</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020	2019
	Note	------(Rupees in '000)-----	
<b>28. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		103,348,851	110,045,944
Borrowings		6,929,625	6,981,845
Cost of foreign currency swaps against foreign currency deposits / borrowings		9,175,328	9,157,133
Finance charge on lease liability against right of use assets		781,642	734,741
Securities sold under repurchase agreements		33,416,502	40,636,745
		<b>153,651,948</b>	<b>167,556,408</b>
<b>29. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		1,234,426	1,450,895
Consumer finance related fees		773,004	810,367
Card related fees		1,054,031	657,077
Credit related fees		181,504	237,625
Investment banking fees		670,458	616,320
Commission on trade		2,723,962	3,359,376
Commission on guarantees		477,465	440,867
Commission on cash management		14,855	22,656
Commission on remittances including home remittances		1,076,858	949,284
Commission on bancassurance		278,406	392,746
Commission on government transactions		9,652,545	9,958,006
Management Fee & Sale Load		1,071,266	1,182,963
Brokerage Income		113,828	73,008
Others		157,844	265,452
		<b>19,480,452</b>	<b>20,416,642</b>
<b>30. GAIN ON SECURITIES - NET</b>			
Realised	30.1	7,902,210	2,127,698
Unrealised - held for trading	10.1	10,556	37,826
		<b>7,912,766</b>	<b>2,165,524</b>
<b>30.1 Realised gain on:</b>			
Federal Government Securities		5,346,600	557,418
Shares and mutual funds		1,887,298	1,541,817
Ijarah Sukuks		8	28,463
Foreign Securities		668,304	-
		<b>7,902,210</b>	<b>2,127,698</b>
<b>31. OTHER INCOME</b>			
Rent on property		20,234	33,031
Gain on sale of fixed assets - net		23,053	37,487
Postal, SWIFT and other charges recovered		48,071	44,202
Compensation for delayed tax refunds	31.1	3,834,424	5,639,569
Digital infrastructure support income		-	33,729
Others		39,701	28,956
		<b>3,965,483</b>	<b>5,816,974</b>

**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, 2020

		2020	2019
	Note	------(Rupees in '000)-----	
<b>32. OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	32.1	<b>41,470,089</b>	46,186,431
<b>Property expense</b>			
Rent and taxes		425,562	989,622
Insurance	32.2	41,267	52,762
Utilities cost		1,365,253	1,218,397
Security (including guards)		2,770,744	2,562,745
Repair and maintenance (including janitorial charges)		1,150,350	1,078,882
Depreciation		467,445	461,382
Depreciation on non banking assets		15,784	29,577
Depreciation on Ijarah assets		85,593	161,131
Depreciation on ROUA		2,052,898	1,939,932
		<b>8,374,896</b>	8,494,430
<b>Information technology expenses</b>			
Software maintenance		1,368,934	1,069,328
Hardware maintenance		24,421	19,882
Depreciation		278,073	312,550
Amortisation		238,932	327,882
Network charges		559,235	522,070
		<b>2,469,595</b>	2,251,712
<b>Other operating expenses</b>			
Directors' fees and allowances		36,160	38,613
Directors' fees and allowances - subsidiaries		9,175	6,873
Fees and allowances to Shariah Board		9,290	9,163
Legal and professional charges		2,337,125	882,871
Outsourced services costs	32.3	829,229	794,629
Travelling and conveyance		667,989	1,084,793
NIFT clearing charges		189,866	153,825
Depreciation		1,754,815	1,651,965
Training and development		70,637	118,488
Postage and courier charges		222,231	214,909
Communication		363,475	354,206
Stationery and printing		1,138,854	1,030,548
Marketing, advertisement and publicity		319,675	302,158
Donations		100	-
Contributions for other Corporate and Social Responsibility	32.4	85,447	26,868
Auditors' remuneration	32.5	205,857	206,690
Fixed Assets / Non-banking asset deficit		-	-
Financial charges on leased assets		38,135	44,648
Entertainment		257,223	297,093
Clearing charges, verification and licence fee		353,324	444,739
Subscription		1,269	1,095
Brokerage		117,381	108,171
Insurance general		373,834	415,779
Vehicle expenses		149,421	145,957
Deposit premium expense		1,388,248	1,244,433
Repairs and maintenance general		508,258	387,878
Others		384,466	329,097
		<b>11,811,484</b>	10,295,489
		<b>64,126,064</b>	67,228,062



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

	2020	2019
	------(Rupees in '000)-----	
<b>32.1 Total compensation expense</b>		
Managerial Remuneration		
i) Fixed	<b>13,589,108</b>	18,259,935
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	<b>4,448,698</b>	4,242,652
Charge for defined benefit plan	<b>7,392,388</b>	7,495,742
Charge for defined benefit plan - Subsidiaries	<b>54,886</b>	59,264
Rent & house maintenance	<b>4,699,328</b>	4,619,663
Utilities	<b>1,740,373</b>	1,693,998
Medical	<b>3,153,828</b>	3,115,337
Conveyance	<b>3,199,086</b>	3,301,861
Club Membership & Subscription	<b>81,204</b>	43,125
Education Allowance	<b>1,463,449</b>	1,570,297
Insurance	<b>452,455</b>	309,152
Honorarium to Staff and Staff Welfare	<b>206,662</b>	262,111
Overtime	<b>25,196</b>	53,628
Special Duty Allowance	<b>477</b>	1,143
Washing Allowance	<b>15,971</b>	16,707
Key Allowance	<b>72,208</b>	78,886
Unattractive Area Allowance	<b>57,929</b>	48,282
Leave Encashment	<b>9,246</b>	80,128
Teaching Allowance	<b>9,199</b>	7,962
Incentive on CASA deposits mobilization	<b>6,790</b>	26,063
Meal Allowance	<b>126,585</b>	126,561
Liveries	<b>1,086</b>	490
Leave Fare Assistance	<b>18,053</b>	21,472
EOBI	<b>9,915</b>	9,211
Hill, Late Sitting & Saturday allowance etc.	<b>635,969</b>	742,761
	<b>41,470,089</b>	46,186,431
<b>Grand Total</b>	<b>41,470,089</b>	46,186,431

**32.2** This includes Rs. 3.550 million (2019: Rs. 3.201 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. 829 million (2019: Rs. 795 million). Out of this cost, Rs. 821 million (2019: Rs. 787 million) pertains to the payment to companies incorporated in Pakistan and Rs. 8 million (2019: Rs. 8 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020	2019
		------(Rupees in '000)-----	
Name of Company	Nature of Services		
ICON Consultant (Private) Limited	IT support Services, sales services, collection, reconciliation and engineering services etc.	270,438	265,011
HTECH Solutions (Private) Limited	Call center management	97,407	-
Virtual World (Private) Limited	Call center management	5,497	60,994
		<b>373,342</b>	<b>326,005</b>

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

		2020	2019
		------(Rupees in '000)-----	
Description			
Karachi Relief Trust (KRT)		20,000	-
Rural Community Development Program		20,000	-
National Rural Support Program		25,000	-
SAFCO Support Program		5,000	-
Thardeep Mirco Finance Foundation		5,000	-
Agha Khan Rural Support Program		5,000	-
Namal College-Mianwali		5,200	5,198
DHQ Hospital Gawadar		-	3,750
Syed Abad Botanical Garden University of Chitral		-	525
Earthquake Effectees of Mirpur AJ&K.		-	7,500
Aman Foundation		-	2,000
		<b>85,200</b>	<b>18,973</b>

**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, 2020

Yousuf Adil	Grant Thornton Anjum Rahman	Total 2020	Total 2019
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----- (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	-	2,500	2,500	3,500
Special certifications and sundry advisory services	1,136	1,968	3,104	8,472
Tax services	-	20,000	20,000	20,000
Sales Tax	1,168	3,035	4,203	4,712
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	20,268	45,467	65,735	72,612
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	132,328	125,144
Fee for audit of subsidiaries including out-of-pocket expenses	-	-	7,795	8,934
	20,268	45,467	205,857	206,690

### 33. OTHER CHARGES

Note	2020	2019
----- (Rupees in '000) -----		
Penalties imposed by State Bank of Pakistan	310,588	141,015
Penalties imposed by other regulatory bodies (Central Bank of international branches)	4,719	7,076
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)	1,132	2,494
	316,439	150,585

### 34. PROVISIONS & WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	(33,093)	2,231,186
Provisions against loans and advances	11.4	29,248,974	8,541,775
Provision against other assets and other liabilities		1,696,095	2,784,140
		30,911,976	13,557,101

### 35. TAXATION

Current	35.1	25,032,667	13,430,533
Prior years		-	1,053,841
Deferred		(9,234,180)	(2,153,565)
		15,798,487	12,330,809

35.1 Current taxation includes Rs. Nil million (2019: Rs. 319 million) of overseas branches.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 35.2 Relationship between tax expense and accounting profit

	2020	2019
	------(Rupees in '000)-----	
Accounting profit before tax	<b>46,384,406</b>	28,978,001
Income tax at statutory rate @ 35% (2019: 35%)	<b>16,234,542</b>	10,142,300
Super tax at statutory rate @ 4% (2019: 4%)	<b>1,848,966</b>	1,120,501
Prior year tax effects	-	1,053,841
Impact of tax order	<b>(2,314,832)</b>	-
Others	<b>29,811</b>	14,167
Tax charge for current and prior years	<b>15,798,487</b>	12,330,809

	2020	2019
<b>36. BASIC EARNINGS PER SHARE</b>		
Profit for the year (Rupees in 000's)	<b>30,489,753</b>	16,582,705
Weighted average number of ordinary shares (Number in 000's)	<b>2,127,513</b>	2,127,513
Basic earnings per share (Rupees)	<b>14.33</b>	7.79
<b>37. DILUTED EARNINGS PER SHARE</b>		
Profit for the year (Rupees in 000's)	<b>30,489,753</b>	16,582,705
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	<b>2,127,513</b>	2,127,513
Diluted earnings per share (Rupees)	<b>14.33</b>	7.79

	2020	2019
	------(Rupees in '000)-----	
<b>38. CASH AND CASH EQUIVALENTS</b>		
Cash and balance with treasury banks	7 <b>249,969,566</b>	293,198,090
Balance with other banks	8 <b>15,015,366</b>	13,598,325
Call money lendings	9 <b>2,040,800</b>	540,800
Call borrowings	17 <b>(2,047,588)</b>	(39,052,969)
Overdrawn nostros	17 <b>(1,236,440)</b>	(3,467,767)
	<b>263,741,704</b>	264,816,479

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 38.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020	
	Lease Obligations	Unclaimed Dividend
	(Rupees in '000)	
Balance as at January 1, 2020	8,025,753	186,668
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,273,256)	(1,152)
<b>Total charges from financing activities</b>	<b>(2,273,256)</b>	<b>(1,152)</b>
Other charges		
Renewed lease during the period	1,671,961	-
Interest unwinding	701,144	-
Foreign exchange gain	(59,023)	-
<b>Total other charges</b>	<b>2,314,082</b>	<b>-</b>
Balance as at December 31, 2020	<b>8,066,579</b>	<b>185,516</b>

	2019	
	Lease Obligations	Unclaimed Dividend
	(Rupees in '000)	
Balance as at January 1, 2019	8,030,520	188,868
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,186,508)	(2,200)
<b>Total charges from financing activities</b>	<b>(2,186,508)</b>	<b>(2,200)</b>
Other charges		
Renewed lease during the period	1,322,531	-
Increase in unclaimed dividend	734,741	-
Foreign exchange gain	124,469	-
<b>Total other charges</b>	<b>2,181,741</b>	<b>-</b>
Balance as at December 31, 2019	<b>8,025,753</b>	<b>186,668</b>

#### 39. STAFF STRENGTH

	2020	2019
	(Rupees in '000)	
Permanent	11,278	11,612
On contract	5,162	4,982
<b>Staff strength at the end of the year</b>	<b>16,440</b>	<b>16,594</b>

39.1 In addition to the above, 1,838 (2019: 2,102) 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, 1,825 employees are working domestically (2019: 2,096) and abroad 13 (2019: 6) respectively.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 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 5.15 to the consolidated financial statements.

#### 40.2 Number of Employees under the scheme

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

	2020 ----- (Numbers) -----	2019 -----
Pension fund	10,751	11,430
Gratuity scheme	3,985	3,776
Benevolent scheme	10,751	11,430

#### 40.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2020 using the following significant assumptions:

	2020 ----- (Per annum) -----	2019 -----
Discount rate	9.75%	11.25%
Expected rate of return on plan assets	9.75%	11.25%
Expected rate of salary increase	9.75%	11.25%
Expected rate of increase in pension	14.00%	6.75%
Expected rate of increase in medical benefit	9.75%	11.25%

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2020

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

	2020						2019					
	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	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200
Fair value of plan assets	(57,038,053)	-	-	-	-	(57,038,053)	(51,687,819)	-	-	-	-	(51,687,819)
Holding Company	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381
Subsidiaries	-	-	-	244,913	-	244,913	-	-	-	196,419	-	196,419
	15,704,077	22,282,747	2,054,218	2,956,827	9,251,755	52,249,824	14,785,647	18,333,947	1,749,006	2,403,018	8,344,182	45,615,800
<b>Movement in defined benefit obligations</b>												
Obligations at the beginning 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
Current service cost	1,517,934	554,295	61,059	311,438	133,178	2,577,904	1,422,746	524,008	51,215	252,641	181,761	2,432,371
Adjustment against contingency reserve	2,338,905	497,146	20,650	-	319,164	3,175,865	-	-	-	-	-	-
Interest cost	7,285,453	1,996,008	183,757	244,487	919,810	10,629,515	7,869,225	1,975,232	196,021	226,381	973,033	11,239,892
Benefits paid by the Bank	(3,427,771)	(1,183,316)	(231,219)	(66,763)	(336,194)	(5,245,263)	(3,389,098)	(927,632)	(250,563)	(43,460)	(395,546)	(5,006,299)
Re-measurement loss / (gain) - Profit and Loss	-	-	-	-	(128,385)	(128,385)	-	-	-	-	43,515	43,515
Re-measurement loss / (gain) - OCI	(1,445,857)	2,084,667	270,965	16,153	-	925,928	(514,332)	1,391,114	147,644	40,772	-	1,065,198
Obligations at the end of the year	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200
<b>Movement in fair value of plan assets</b>												
Fair value at the beginning of the year	51,687,819	-	-	-	-	51,687,819	48,015,260	-	-	-	-	48,015,260
Interest income on plan assets	5,686,646	-	-	-	-	5,686,646	6,220,036	-	-	-	-	6,220,036
Contribution by the Bank - net	1,148,063	-	-	-	-	1,148,063	1,245,917	-	-	-	-	1,245,917
Benefits paid	(3,427,771)	-	-	-	-	(3,427,771)	(3,389,098)	-	-	-	-	(3,389,098)
Benefits paid on behalf of fund	1,783,479	-	-	-	-	1,783,479	1,631,059	-	-	-	-	1,631,059
Actuarial gain or (loss) on assets	159,817	-	-	-	-	159,817	(2,035,355)	-	-	-	-	(2,035,355)
Fair value at the end of the year	57,038,053	-	-	-	-	57,038,053	51,687,819	-	-	-	-	51,687,819
<b>Movement in (receivable) / payable under defined benefits scheme of Holding Company</b>												
Opening balance	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
Charge / (reversal) for the year	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742
Adjustment against contingency Reserve	2,338,905	497,146	20,650	-	319,164	3,175,865	-	-	-	-	-	-
Contribution by the bank - net	(1,148,063)	-	-	-	-	(1,148,063)	(1,245,917)	-	-	-	-	(1,245,917)
Re-measurement loss / (gain) recognized in OCI during the year	(1,605,674)	2,084,667	270,965	16,153	(336,194)	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553
Benefits paid on behalf of fund	(1,783,479)	(1,183,316)	(231,219)	(66,763)	(336,194)	(3,600,371)	(1,631,059)	(927,632)	(250,563)	(43,460)	(395,546)	(3,248,260)
	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381
<b>Charge for defined benefit plans</b>												
<b>Cost recognised in profit and loss</b>												
Current service cost	1,517,934	554,295	61,059	311,438	133,178	2,577,904	1,422,746	524,008	51,215	252,641	181,761	2,432,371
Actuarial loss recognized - Profit and Loss	-	-	-	-	(128,385)	(128,385)	-	-	-	-	43,515	43,515
Net interest on defined benefit asset / liability	1,598,807	1,996,008	183,757	244,487	919,810	4,942,869	1,649,189	1,975,232	196,021	226,381	973,033	5,019,856
	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742
<b>Re-measurements recognised in OCI during the year</b>												
Loss / (gain) on obligation	(1,605,674)	2,084,667	270,965	16,153	-	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553
- Experience adjustment	(1,605,674)	2,084,667	270,965	16,153	-	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553
Total re-measurements recognised in OCI												

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020 ----- (Rupees in '000) -----	2019
<b>40.8 Components of plan assets</b>		
Pakistan Investment Bonds	22,127,729	22,127,729
Treasury Bills	1,655,750	
Term Finance Certificates	104,000	104,000
Mutual Funds / Shares	6,427,374	5,870,329
Shares	7,179,354	6,288,248
Defence Saving Certificates	8,479,970	7,538,348
Special Saving Certificates	9,635,360	8,523,972
Cash at Bank	1,428,516	1,235,194
	<b>57,038,053</b>	<b>51,687,819</b>

### 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:

	2020					
	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total
	----- (Rupees in '000) -----					
1% increase in discount rate	65,308,485	19,266,575	1,915,735	2,396,364	8,538,577	97,425,736
1% decrease in discount rate	81,782,213	26,081,439	2,211,838	3,088,758	10,070,396	123,234,644
1 % increase in expected rate of salary increase	76,592,777	23,499,623	2,081,710	3,098,775	10,107,352	115,380,237
1 % decrease in expected rate of salary increase	69,280,964	21,191,648	2,027,093	2,383,069	8,494,357	103,377,131
1% increase in expected rate of pension increase	77,360,353	24,019,702	-	-	-	101,380,055
1% decrease in expected rate of pension increase	68,785,097	20,793,333	-	-	-	89,578,430
1% increase in expected rate of medical benefit increase	-	23,097,183	-	-	-	23,097,183
1% decrease in expected rate of medical benefit increase	-	21,601,836	-	-	-	21,601,836

<b>40.10 Expected contributions to be paid to the funds in the next financial year</b>	<b>1,478,863</b>
<b>40.11 Expected charge for the next financial year</b>	<b>7,034,716</b>



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension Fund	11.32
Post retirement medical fund	15.29
Benevolent fund	7.21
Gratuity fund	12.77
Compensated absences	8.28

#### 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	1,428,516	2.5%
Government Securities	41,898,809	73.5%
Shares	7,179,354	12.6%
Non-Government Debt Securities	104,000	0.2%
Mutual Funds	6,427,374	11.3%
	<b>57,038,053</b>	<b>100.0%</b>

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:

<b>Asset volatility</b>	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.
<b>Changes in bond yields</b>	The risk arises when the actual return on plan assets is lower than expectation.
<b>Inflation risk</b>	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.
<b>Life expectancy / Withdrawal rate</b>	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.
<b>Investment Risk</b>	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, 2020

### 42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 42.1 Total Compensation Expense

Items	2020					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other material risk takers / controllers
	Chairman	Non- Executives				
----- (Rupees in '000) -----						
Fees and Allowances etc.	3,450	30,150	-	-	-	-
Managerial Remuneration						
i) Fixed	-	-	7,362	54,000	206,031	405,064
ii) Total Variable						
of which						
a) Cash Bonus / Awards	-	-	549	-	64,745	175,480
Charge for defined benefit plan	-	-	-	4,500	40,979	104,283
Rent & house maintenance	-	-	683	-	89,343	193,085
Utilities	-	-	211	-	27,615	60,211
Medical	-	-	155	-	24,633	63,510
Conveyance	-	-	330	-	17,234	50,435
Others	659	1,900	-	3,511	13,709	61,611
<b>Total</b>	<b>4,109</b>	<b>32,050</b>	<b>9,290</b>	<b>62,011</b>	<b>484,289</b>	<b>1,113,679</b>
<b>Number of Persons</b>	<b>1</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>34</b>	<b>99</b>

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

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

Performance bonus is accounted for on payment basis.

Items	2019		Members Shariah Board	President / CEO	Key Management Personnel
	Directors				
	Chairman	Non- Executives			
----- (Rupees 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	-	54,435
Charge for defined benefit plan	-	-	-	4,500	38,739
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	14,857
Total	4,204	34,409	9,163	58,337	400,920
Number of Persons	1	10	3	1	29

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, 2020

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

2020									
S.No.	Name of Director	Meeting Fees and Allowances Paid							
		For Board Meetings	For Board Committees						Total Amount Paid
			Board Audit Committee	Board Risk and Compliance Committee	Board HR and Remuneration Committee	Board Technology and Digitalization Committee	Board Inclusive Development Committee	Board International Franchises and Remittance Committee	
(Rupees in '000)									
1	Mr. Zubyr Soomro	2,759	-	-	1,350	-	-	-	4,109
2	Mr. Muhammad Naeem	554	414	150	-	-	-	-	1,118
3	Mr. Muhammad Sohail Rajput	2,309	1,056	-	-	-	1,050	-	4,415
4	Ms. Sadaffe Abid	1,721	-	-	-	1,350	1,050	-	4,121
5	Mr. Tawfiq Asghar Hussain	2,100	1,200	1,050	-	-	-	1,200	5,550
6	Mr. Zafar Masud	900	-	-	600	450	-	300	2,250
7	Mr. Farid Malik	2,456	-	1,139	1,567	1,634	-	-	6,797
8	Mr. Imam Bukhsh Baloch	2,100	-	1,050	-	-	1,050	-	4,200
9	Mr. Asif Jooma	1,650	900	-	1,050	-	-	-	3,600
Total Amount Paid		16,549	3,570	3,389	4,567	3,434	3,150	1,500	36,160

2019									
S.No.	Name of Director	Meeting Fees and Allowances Paid							
		For Board Meetings	For Board Committees						Total Amount Paid
			Board Audit Committee	Board Risk and Compliance Committee	Board HR and Remuneration Committee	Board Technology and Digitalization Committee	Board Inclusive Development Committee	Board International Franchises and Remittance Committee	
(Rupees in '000)									
1	Mr. Zubyr Soomro	2,854	-	-	1,350	-	-	-	4,204
2	Mr. Muhammad Naeem	2,545	1,722	766	1,434	323	-	-	6,790
3	Mr. Muhammad Sohail Rajput	1,333	1,104	-	-	-	904	-	3,341
4	Ms. Sadaffe Abid	1,127	-	-	-	1,050	750	-	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	1,200	-	450	-	-	750	-	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	450	150	-	-	-	-	1,350
Total Amount Paid		17,319	4,824	2,792	5,864	4,810	2,404	600	38,613

42.2.1 In last year, Rs. 578,000 was inadvertently disclosed as amount paid to Mr. Zubyr Soomro for attending Board Risk & Compliance Committee. In current year, said amount has been reclassified to Board meeting fees & allowances. Further, Nil figure was erroneously disclosed in Board Inclusive Development Committee last year which is corrected in current year.

### 42.3 Remuneration paid to Shariah Board Members

Items	2020				2019			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
(Rupees in '000)								
Retainer Fee & Fixed Remuneration	3,240	3,170	2,880	9,290	3,240	3,043	2,880	9,163
Total Amount Paid	3,240	3,170	2,880	9,290	3,240	3,043	2,880	9,163
Total Number of Persons	1	1	1	3	1	1	1	3

The above information does not include particulars of subsidiaries.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 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:

value measurement is categorised.

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
			(Rupees in '000)		
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	626,248,790	-	626,248,790	-	626,248,790
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	48,089,192	48,089,192	-	-	48,089,192
Investment in mutual funds	2,291,013	2,291,013	-	-	2,291,013
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Term Finance Certificates / Musharika and Sukuk Bonds	55,910,547	4,280,000	51,630,547	-	55,910,547
GoP Foreign Currency Bonds	10,840,875	-	10,840,875	-	10,840,875
Foreign Government Securities	3,953,016	-	3,953,016	-	3,953,016
Foreign Currency Debt Securities	80,640	-	80,640	-	80,640
Ordinary shares of a bank outside Pakistan	17,652,778	17,652,778	-	-	17,652,778
	1,245,590,383	73,412,833	1,172,177,550	-	1,245,590,383

#### Financial assets - disclosed but not measured at fair value

Cash and balances with treasury banks	249,969,566	-	-	-	-
Balances with other banks	15,015,366	-	-	-	-
Lendings to financial institutions	126,804,675	-	-	-	-
<b>Investments</b>					
Market Treasury Bills	-	-	-	-	-
Pakistan Investment Bonds	168,676,415	-	-	-	-
Ordinary shares of unlisted companies	1,455,089	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,838	-	-	-	-
Bai Muajjal with Government of Pakistan	11,641,133	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	32,418,809	-	-	-	-
Foreign Currency Debt Securities	618	-	-	-	-
Advances	983,871,421	-	-	-	-
Other Assets	112,017,619	-	-	-	-
	<b>1,701,878,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>2,947,468,932</b>	<b>73,412,833</b>	<b>1,172,177,550</b>	<b>-</b>	<b>1,245,590,383</b>

#### Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	419,327,735	-	(2,918,017)	-	(2,918,017)
Forward government securities transactions	27,625,340	-	52,885	-	52,885

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	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
Investments 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	4,598,000	51,654,659	-	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	67,593,642	1,033,555,847	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	-	-	-	-
Lending to financial instruments	134,780,010	-	-	-	-
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	-	-	-	-
Bai Muajjal with Government of Pakistan	10,395,235	-	-	-	-
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	166,148,295	-	-	-	-
	1,961,460,789	-	-	-	-
	3,062,653,710	67,593,642	1,033,555,847	43,432	1,101,192,921
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 Consolidated Financial Statements

For the year ended December 31, 2020

### 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 Group's non-financial assets as at the end of the reporting period are as follows:

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (property and equipment)	48,770,485	-	48,770,485	-	48,770,485
Non-banking assets acquired in satisfaction of claims	3,750,925	-	3,750,925	-	3,750,925
	52,521,410	-	52,521,410	-	52,521,410

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (property and equipment)	48,575,942	-	48,575,942	-	48,575,942
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,860,795	-	51,860,795	-	51,860,795

### 44. SEGMENT INFORMATION

#### 44.1 Segment Details with respect to Business Activities

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

2020									
(Rupees in '000)									
Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Alteemaad and Islamic Banking	Head Office/ Others	Sub total	Eliminations	Total
(76,417,139)	15,659,237	43,113,972	113,674,589	2,944,549	5,033,803	371,419	104,379,430	-	104,379,430
127,171,107	(12,345,431)	(38,048,674)	(86,111,719)	-	(409,849)	9,744,567	-	-	-
13,636,909	1,303,132	2,934,104	11,890,634	1,933,019	425,941	5,235,716	37,359,455	-	37,359,455
64,390,877	4,615,938	7,999,402	39,453,504	4,877,568	5,049,895	15,351,703	141,738,885	-	141,738,885
28,602,759	2,177,142	906,172	366,426	6,337,022	2,542,000	1,736,268	42,667,790	-	42,667,790
28,602,759	2,177,142	906,172	366,426	6,337,022	2,542,000	23,510,983	64,442,503	-	64,442,503
670,506	3,818,845	26,216,211	(202,726)	(484,011)	398,979	494,170	30,911,976	-	30,911,976
35,117,612	(1,380,048)	(19,122,981)	39,289,803	(975,444)	2,108,916	(8,653,450)	46,384,406	-	46,384,406
<b>Statement of financial position</b>									
148,446,514	9,809,667	281,210	49,710,033	47,960,766	5,724,957	3,051,784	264,984,932	-	264,984,932
-	-	31,393,587	1,342,837,328	46,098,046	39,828,843	6,247,569	1,466,405,373	-	1,466,405,373
1,716,041,623	-	-	-	-	-	195,071,897	1,911,113,520	(1,911,113,520)	-
-	-	-	126,802,025	-	-	2,650	126,804,675	-	126,804,675
231,940,537	128,340,996	538,861,528	-	43,633,881	37,546,863	8,796,522	989,120,326	-	989,120,326
3,796,433	22,497,098	47,548,441	-	42,345,094	602,913	55,022,633	171,812,612	-	171,812,612
(8,430,326)	(19,538,451)	(52,114,538)	-	(41,266,079)	(602,913)	(55,109,211)	(177,061,517)	-	(177,061,517)
227,306,644	131,299,642	534,295,432	-	44,712,896	37,546,863	8,709,944	983,871,421	-	983,871,421
24,509,010	1,625,569	22,588,501	366,297	3,972,925	4,959,963	117,120,341	175,143,591	-	175,143,591
2,116,303,791	142,735,878	588,558,730	1,519,715,683	142,744,633	88,060,626	330,204,184	4,928,323,512	(1,911,113,520)	3,017,209,992
<b>Total Assets</b>									
(292,063)	3,511,852	46,688,596	86,290,983	2,047,575	-	292,062	138,539,005	-	138,539,005
2,068,891,897	-	200,011,969	-	73,225,543	75,268,262	1,530,900	2,419,928,469	-	2,419,928,469
-	136,108,152	323,788,034	1,377,549,547	63,868,561	9,799,226	-	1,911,113,520	(1,911,113,520)	-
47,703,958	3,115,875	17,857,441	12,387,953	3,138,352	2,333,570	98,803,091	185,340,236	-	185,340,236
2,116,303,791	142,735,878	588,346,040	1,476,228,483	142,280,030	87,401,058	100,625,953	4,653,921,230	(1,911,113,520)	2,742,807,710
-	-	212,690	43,487,200	464,603	659,569	229,578,231	274,402,282	-	274,402,282
2,116,303,791	142,735,878	588,558,730	1,519,715,683	142,744,633	88,060,626	330,204,184	4,928,323,512	(1,911,113,520)	3,017,209,992
<b>Total Equity &amp; liabilities</b>									
573,019,328	-	1,046,103,666	-	20,577,429	-	35,553,685	1,675,254,108	-	1,675,254,108
<b>Contingencies &amp; Commitments</b>									

### Profit and loss account

Net mark-up / return / profit	
Inter segment revenue - net	
Non mark-up / return / interest income	
Total income	
Segment direct expenses	
Inter segment expense allocation	
Total expenses	
Provisions	
Profit / (loss) before tax	

### Statement of financial position

Cash and bank balances	
Investments	
Net inter segment lending	
Lendings to financial institutions	
Advances - performing	
Advances - non-performing	
Provision against Advances	
Advances - net	
Others	

### Total Assets

Borrowings	
Deposits & other accounts	
Net inter segment borrowing	
Others	
Total liabilities	
Equity	

### Total Equity & liabilities

### Contingencies & Commitments



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2019 (Restated)						Eliminations	Total
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Altaamad and Islamic Banking		
						Head Office / Others	Sub total	
(Rupees in '000)								
<b>Profit and loss account</b>								
Net mark-up / return / profit	(83,637,534)	15,619,259	54,921,742	76,654,512	3,143,738	4,396,685	72,153,882	72,153,882
Inter segment revenue - net	148,346,359	(15,451,546)	(54,445,167)	(83,724,892)	-	(375,722)	-	-
Non mark-up / return / interest income	13,915,664	1,794,975	2,858,776	9,610,964	1,831,482	543,892	37,759,867	37,759,867
Total Income	78,624,489	1,962,688	3,335,351	2,540,584	4,975,220	4,564,855	109,913,749	109,913,749
Segment direct expenses	28,523,599	2,350,847	801,063	310,208	4,276,639	2,601,428	40,831,031	40,831,031
Inter segment expense allocation	-	-	-	-	-	-	26,547,614	26,547,614
Total expenses	28,523,599	2,350,847	801,063	310,208	4,276,639	2,601,428	67,378,645	67,378,645
Provisions	1,881,924	922,825	8,030,099	1,899,416	(104,320)	(75,061)	13,557,101	13,557,101
Profit / (loss) before tax	48,218,966	(1,310,984)	(5,495,811)	330,960	802,901	2,038,487	28,978,001	28,978,001
<b>Statement of financial position</b>								
Cash and bank balances	162,051,623	12,045,241	238,501	82,716,513	42,748,449	4,410,976	306,796,415	306,796,415
Investments	-	-	38,801,666	1,316,800,220	61,079,182	29,811,516	1,452,799,192	1,452,799,192
Net inter segment lending	1,631,347,664	-	-	-	-	-	1,765,977,140	1,765,977,140
Lendings to financial institutions	-	-	-	132,718,198	-	2,059,162	134,780,010	134,780,010
Advances - performing	221,843,742	144,537,546	538,385,369	-	55,382,884	33,880,111	1,002,716,475	1,002,716,475
Advances - non-performing	2,973,437	17,309,704	32,196,797	-	41,049,352	203,934	149,377,054	149,377,054
Provision against advances	(6,712,559)	(14,171,794)	(27,075,335)	-	(40,266,389)	(203,934)	(143,694,917)	(143,694,917)
Advances - net	218,104,620	147,675,456	543,506,831	-	56,165,847	33,880,111	1,008,398,612	1,008,398,612
Others	25,398,302	1,853,736	40,745,805	3,971,387	4,014,363	4,890,661	229,586,039	229,586,039
<b>Total Assets</b>	2,036,902,210	161,574,433	623,292,803	1,536,206,318	164,007,841	75,052,426	4,898,337,408	4,898,337,408
Borrowings	1,348,351	-	30,388,706	400,759,524	38,913,708	-	471,757,352	471,757,352
Deposits & other accounts	1,971,199,214	-	76,371,345	-	85,487,723	63,285,897	2,197,984,573	2,197,984,573
Net inter segment borrowing	-	156,839,607	484,593,419	1,081,180,371	36,248,475	7,115,268	1,765,977,140	1,765,977,140
Others	64,354,645	4,734,824	31,794,954	17,079,796	1,988,871	3,875,565	223,395,788	223,395,788
<b>Total Liabilities</b>	2,036,902,210	161,574,431	623,148,424	1,499,019,691	162,638,777	74,276,729	4,898,114,853	4,898,114,853
Equity	-	-	144,380	37,186,627	1,369,066	775,697	239,222,555	239,222,555
<b>Total Equity &amp; liabilities</b>	2,036,902,210	161,574,433	623,292,803	1,536,206,318	164,007,841	75,052,426	4,898,337,408	4,898,337,408
<b>Contingencies &amp; Commitments</b>	833,218,160	-	236,880,686	823,455,129	28,997,140	-	1,953,896,161	1,953,896,161

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 44.2 Segment details with respect to geographical locations

	2020					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
<b>Profit and loss account</b>						
Net mark-up / return/profit	101,234,782	735,554	59,526	421,629	1,927,939	104,379,430
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,400,181	536,152	316,191	747,936	358,994	37,359,455
Total Income	136,634,963	1,271,706	375,718	1,169,565	2,286,933	141,738,885
Segment direct expenses	36,123,107	1,806,638	793,919	3,173,426	770,701	42,667,790
Inter segment expense allocation	21,774,714	-	-	-	-	21,774,714
Total expenses	57,897,821	1,806,638	793,919	3,173,426	770,701	64,442,503
Provisions	31,413,690	(325,772)	(117,586)	(32,798)	(25,557)	30,911,976
Profit / (loss) before tax	47,323,453	(209,159)	(300,616)	(1,971,063)	1,541,789	46,384,406
<b>Statement of financial position</b>						
Cash and bank balances	215,386,431	19,040,664	10,399,385	19,076,487	1,081,965	264,984,932
Investments	1,419,111,415	30,973,985	-	2,927,816	13,392,157	1,466,405,373
Net inter segment lendings	63,868,561	-	-	-	-	63,868,561
Lendings to financial institutions	126,804,675	-	-	-	-	126,804,675
Advances - performing	944,902,218	2,475,488	574,741	1,680,370	39,487,510	989,120,326
Advances - non-performing	129,129,200	35,912,396	1,205,975	-	5,565,041	171,812,612
Provision against advances	(135,717,854)	(35,725,929)	(1,205,975)	(2,306)	(4,409,453)	(177,061,517)
Advances - net	938,313,564	2,661,954	574,741	1,678,064	40,643,098	983,871,421
Others	170,927,847	3,016,719	139,572	183,851	875,601	175,143,591
<b>Total Assets</b>	<b>2,934,412,493</b>	<b>55,693,323</b>	<b>11,113,698</b>	<b>23,866,218</b>	<b>55,992,821</b>	<b>3,081,078,553</b>
Borrowings	136,491,431	1,240,487	-	-	807,088	138,539,005
Deposits & other accounts	2,344,187,228	36,900,634	7,278,305	9,204,947	21,357,355	2,418,928,469
Net inter segment borrowing	-	14,344,870	3,643,594	13,051,137	32,828,959	63,868,561
Others	182,172,934	830,555	191,798	1,556,773	588,176	185,340,236
<b>Total liabilities</b>	<b>2,662,851,593</b>	<b>53,316,546</b>	<b>11,113,698</b>	<b>23,812,857</b>	<b>55,581,578</b>	<b>2,806,676,270</b>
Equity	271,560,901	2,376,778	-	53,361	411,243	274,402,282
<b>Total Equity &amp; liabilities</b>	<b>2,934,412,493</b>	<b>55,693,323</b>	<b>11,113,698</b>	<b>23,866,218</b>	<b>55,992,821</b>	<b>3,081,078,553</b>
<b>Contingencies &amp; Commitments</b>	<b>1,654,676,680</b>	<b>3,380,468</b>	<b>3,105,342</b>	<b>7,173,633</b>	<b>6,917,986</b>	<b>1,675,254,109</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

2019 (Restated)

	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
<b>Profit and loss account</b>						
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	13,629,288	(133,107)	(5,771)	28,281	38,409	13,557,101
Profit / (loss) before tax	28,210,381	(1,210,025)	(330,179)	250,533	2,057,293	28,978,001
<b>Statement of financial position</b>						
Cash and bank balances	262,626,290	25,653,998	10,435,547	5,119,150	2,961,430	306,796,415
Investments	1,389,934,352	34,982,676	-	10,751,978	17,130,186	1,452,799,192
Net inter segment lendings	36,248,474	-	-	-	8,107,633	44,356,106
Lendings to financial institutions	134,780,010	-	-	-	-	134,780,010
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)
Advances - net	951,682,886	7,807,784	120,810	14,672,400	34,114,732	1,008,398,612
Others	225,227,346	3,075,071	121,839	373,587	788,196	229,586,039
<b>Total Assets</b>	<b>3,000,499,358</b>	<b>71,519,529</b>	<b>10,678,196</b>	<b>30,917,116</b>	<b>63,102,176</b>	<b>3,176,716,374</b>
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
<b>Total liabilities</b>	<b>2,765,241,459</b>	<b>68,803,612</b>	<b>10,678,196</b>	<b>30,532,227</b>	<b>62,238,326</b>	<b>2,937,493,819</b>
Equity	235,257,903	2,715,918	-	384,888	863,849	239,222,555
<b>Total Equity &amp; liabilities</b>	<b>3,000,499,358</b>	<b>71,519,529</b>	<b>10,678,196</b>	<b>30,917,116</b>	<b>63,102,176</b>	<b>3,176,716,374</b>
<b>Contingencies &amp; Commitments</b>	<b>1,924,899,021</b>	<b>4,703,237</b>	<b>3,479,436</b>	<b>6,359,387</b>	<b>14,455,079</b>	<b>1,953,896,161</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 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. 785 million as at December 31, 2020 (2019: Rs. 758 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 undertaking and their provisions are stated in note 10 of the financial statement of the Group.

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020									2019								
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.L.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.L.D.A A/c)	Provident Fund	Other related parties
Balances with other banks																		
In current accounts	-	-	-	2,951	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
	-	-	-	2,951	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
Advances																		
Opening balance	-	228,805	3,046,662	-	-	-	-	-	23,386,325	-	222,967	3,115,819	-	-	-	-	-	217,063
Addition during the year	-	64,850	-	-	-	-	-	-	115,824,347	-	74,615	-	-	-	-	-	-	11,246,254
Repaid during the year	-	(31,840)	(65,533)	-	-	-	-	-	(115,573,058)	-	(22,888)	(69,157)	-	-	-	-	-	(14,896,873)
*Transfer in / (out) - net	-	(28,548)	-	-	-	-	-	-	(23,232,497)	-	(45,889)	-	-	-	-	-	-	26,819,881
Closing balance	-	233,267	2,981,029	-	-	-	-	-	305,117	-	228,805	3,046,662	-	-	-	-	-	23,386,325
Provision held against advances	-	-	2,837,287	-	-	-	-	-	-	-	-	2,827,375	-	-	-	-	-	-

(Pacs in '000)

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020									2019								
	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
Other Assets																		
Interest / mark-up accrued	-	-	1,720,157	-	-	-	-	-	-	-	-	1,725,222	-	-	-	-	-	-
Borrowings																		
Opening balance	-	-	-	279,814	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-	241,566	-	-	-	-	-
Settled during the year	-	-	-	(270,703)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	9,111	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
Deposits and other accounts																		
Opening balance	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083	10,732	80,688	-	-	1,085	11,100,000	458,328	12,465,939	-
Received during the year	8,672	713,917	-	-	47,037,983	-	3,054,527	1,941,908	708,790	23,314	625,431	-	-	45,832,581	-	11,785,192	2,246,185	273,689,395
Withdrawn during the year	(11,228)	(620,573)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)	(22,146)	(591,564)	-	-	(45,833,593)	(11,100,000)	(11,008,400)	(1,415,241)	(278,409,470)
**Transfer in (out) - net	41	(10,823)	-	-	-	-	-	-	(40,290,295)	(8,065)	(19,840)	-	-	-	-	-	-	45,156,158
Closing balance	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	204,446	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083
Contingencies & Commitments																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,463,085

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020					2019						
	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)											
<b>Income</b>												
Mark-up / return / interest earned	-	-	9	-	-	-	-	-	112	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	15,755	-	-	-	-	-	1,860,682
Dividend income	-	-	-	-	-	-	-	6,000	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	4,637	-	-	-	19,447	-	4,637	-	-	-	15,558
<b>Expense</b>												
Mark-up / return / interest paid	-	-	303	108,346	1,441,640	4,012	-	-	780	204,666	1,690,456	4,345,823
Expenses paid to company in which Director of the bank is interested as CEO	-	-	-	-	-	10,712	-	-	-	-	-	6,096
Remuneration to key management executives including charge for defined benefit plan	546,300	-	-	-	-	-	459,257	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	2,087	-	-	-	-	-	2,087

### 46.1 Transactions with Government-related entities

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

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

The Group also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 9,653 million (2019: 9,958 million) for the year ended December 31, 2020. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 337,572 million (2019: 377,158 million), Rs. 932,317 million (2019: 840,064 million) and Rs. 948,335 million (2019: 876,232 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 40,908 million (2019: 30,498 million) and Rs. 64,149 million (2019: 50,926 million) respectively.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 47. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

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

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

##### i. Minimum Capital Requirement (MCR):

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

##### ii. Capital Adequacy Ratio:

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 11.50% (plus 2.0% for NBP as D-SIB requirement).

##### iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Group level disclosure of the leverage ratio and its components has started from December 31, 2015. The Group has a leverage ratio of 4.16% in the year December 31, 2020 (2019: 3.44%) and Tier-1 capital of Rs 176,735 Million (2019: Rs 146,628 Million).

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

##### 1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1
- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

##### 2. Tier 2 Capital (gone-concern capital)

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

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

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

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

The paid-up capital of the Group for the year ended December 31, 2020 stood at Rs. 21,275 billion (2019: 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 20.10% (2019: 15.82%).

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	------(Rupees in '000)-----	
<b>Minimum Capital Requirement</b>		
Paid-up capital	199,498,333	168,001,436
<b>Capital Adequacy Ratio</b>		
Eligible Common Equity Tier 1 Capital	176,735,007	146,628,152
Eligible Additional Tier 1 Capital	-	-
Total Eligible Tier 1 Capital	176,735,007	146,628,152
Eligible Tier 2 Capital	56,705,915	41,295,951
Total Eligible Capital (Tier 1 + Tier 2)	233,440,922	187,924,103
Risk Weighted Assets		
Credit Risk	862,944,817	918,174,576
Market Risk	88,080,262	93,146,479
Operational Risk	210,140,934	176,625,691
Total	1,161,166,013	1,187,946,746
Common Equity Tier 1 Capital Adequacy ratio	15.22%	12.34%
Tier 1 Capital Adequacy Ratio	15.22%	12.34%
Total Capital Adequacy Ratio	20.10%	15.82%
<b>Leverage Ratio</b>		
Tier-1 Capital	176,735,007	146,628,152
Total Exposures	4,249,194,554	4,260,315,310
Leverage Ratio	4.16%	3.44%
<b>Liquidity Coverage Ratio</b>		
Total High Quality Liquid Assets	1,200,257,790	890,965,256
Total Net Cash Outflow	666,722,922	603,741,462
Liquidity Coverage Ratio	180%	148%
<b>Net Stable Funding Ratio</b>		
Total Available Stable Funding	2,309,310,465	2,040,913,906
Total Required Stable Funding	901,126,786	875,207,068
Net Stable Funding Ratio	256%	233%

47.1 The full disclosures on the Capital Adequacy Leverage Ratio and 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/>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 48. RISK MANAGEMENT

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

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

- Identification and assessment of significant material risks.
- Overseeing and managing the risk profile of the Group within the context of the risk appetite.
- Optimize risk/return decisions by aligning them to business objective of achieving sustainable optimum growth.

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.

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. Fraud risk management has also been made a part of RMG under the umbrella of Operational and Fraud Risk Management Division.

#### 48.1 Risk Governance Structure

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

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

#### 48.2 Risk Management Framework

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

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

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

##### 48.2.1 Credit Risk

Credit risk is the risk of loss resulting from the decline in credit quality or possibility that a obligor or counterparty may not honor on its contractual obligations to the Group in accordance with agreed terms. NBP's lending activities account for most of the Group's credit risk. Credit risk is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. Group has a dedicated setup lead by Chief Risk Officer that ensures the effectiveness of the frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

Group has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to ascertain the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

industry segments. These risks are analysed on perpetual basis and is subject to frequent review. 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 / economic group, Bank also has an Internal Ratings System / Model based on multiple risk factors. The model coupled with Cash Flow Analysis Memorandum provides an understanding of obligors' 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, economic group, or industry is assessed frequently and accordingly limit setting is tailored.

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 Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

### 48.2.1.1 Lendings to financial institutions

#### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	(R upees in '000)					
Public/ Government	-	2,059,162	-	-	-	-
Private	126,980,825	132,896,998	176,150	176,150	176,150	176,150
	126,980,825	134,956,160	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	
	2020	2019	2020	2019	2020	2019
	(R upees in '000)					
Cement	470,168	19,453	20,168	19,453	20,168	19,453
Chemical	2,073,812	2,073,812	323,812	323,812	323,812	323,812
Construction	3,885,490	3,885,489	1,633,739	1,633,738	1,633,738	1,633,738
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,040,960	1,425,089	656,831	656,831	656,831	656,831
Sugar	766,719	785,469	766,719	785,469	766,719	572,385
Textile	1,151,054	1,151,768	651,054	651,768	651,054	651,768
Transport	-	2,803,718	-	-	-	-
Financial	9,658,543	9,344,916	210,020	90,886	141,691	82,126
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Miscellaneous	891,092	787,524	25,992	25,992	25,991	25,992
Leather and Tanneries	5,288	5,288	5,288	5,288	5,288	5,288
Food and Personal Care Products	11,184	11,184	11,184	11,184	11,184	11,184
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology and Communication	11,072	11,072	11,072	11,072	11,072	11,072
Vanaspati and Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil and Gas Marketing	687	95,986	687	686	687	686
Cable and Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts and Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	37,953,635	35,464,521	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper and Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,081	7,081
Metal Products	500,000	500,000	-	-	-	-
Services	890,258	950,000	-	-	-	-
	60,665,266	60,670,593	5,671,871	5,571,484	5,603,540	5,349,640
<b>Credit risk by public / private sector</b>						
Public / Government	31,849,560	32,463,359	7,620	7,620	7,620	7,620
Private	28,815,706	28,207,234	5,664,251	5,563,864	5,595,920	5,342,020
	60,665,266	60,670,593	5,671,871	5,571,484	5,603,540	5,349,640

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 48.2.1.3 Advances

#### Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
			(R upees in '000)			
Agriculture, Forestry, Hunting and Fishing	63,054,332	59,016,306	6,204,022	5,565,495	4,514,299	4,133,877
Mining and Quarrying	282,368	2,079,833	117,449	870,598	117,449	465,220
Textile	132,990,923	130,890,548	37,711,391	35,442,889	35,889,959	34,127,452
Chemical and Pharmaceuticals	4,033,024	3,698,135	2,645,492	2,789,583	2,634,249	2,781,935
Cement	33,124,120	28,285,797	6,311,377	4,177,487	4,093,767	2,466,565
Sugar	35,278,586	34,415,033	15,374,152	14,441,205	14,335,087	12,666,718
Footwear and Leather garments	2,461,054	2,095,757	840,449	847,135	840,114	846,235
Automobile and Transportation Equipment	6,607,421	8,711,039	971,267	959,014	966,887	959,014
Electronics and Electrical Appliances	10,036,223	7,204,298	2,232,278	2,234,231	2,223,278	2,222,981
Construction	12,266,442	12,243,093	4,484,629	5,323,770	4,481,950	5,304,434
Power (electricity), Gas, Water, Sanitary	283,229,240	289,464,374	13,202,534	5,434,940	11,271,966	4,448,807
Wholesale and Retail Trade	36,642,933	36,292,574	13,514,848	10,806,629	12,083,484	10,533,434
Exports / Imports	1,687,703	1,486,667	-	68,583	-	68,583
Transport, Storage and Communication	55,190,848	56,141,359	11,263,369	10,106,198	9,184,015	7,940,445
Financial	6,358,191	40,447,197	91,312	77,317	91,312	77,317
Services	32,929,861	14,209,909	4,543,558	2,060,883	2,697,680	1,619,394
Individuals	184,106,685	170,918,493	5,962,662	6,154,918	4,123,937	4,218,970
Flour Mills	2,809,954	3,467,902	735,193	708,232	720,207	662,512
Rice processing and Trading	30,685,877	26,950,629	4,665,312	4,575,187	4,537,360	4,494,866
Food and Tobacco	14,023,712	12,026,044	5,251,343	3,884,056	5,226,208	3,358,342
Fertilizer	15,733,123	20,813,179	2,947,639	2,885,878	2,888,738	2,860,734
Metal Products	67,320,902	67,474,262	25,111,134	23,353,861	24,557,341	22,345,884
Telecommunication	17,064,247	16,307,814	1,159,350	1,135,662	1,159,350	1,135,662
Public Sector Commodity Operations	62,413,440	66,638,547	74,198	73,785	74,198	73,785
General traders	-	-	2,993	-	2,244	-
Engineering	33,444,437	24,966,577	1,416,959	1,423,696	1,410,274	1,421,196
Glass and Ceramics	6,859,290	5,043,655	396,911	423,641	396,911	423,641
Media	2,189,495	2,222,899	718,124	151,457	293,124	151,457
Paper and Board	1,601,970	1,820,422	1,187,897	953,829	1,187,897	655,672
Plastic products	2,627,648	2,751,131	651,199	666,403	648,950	488,349
Sports goods	978,994	727,511	93,818	93,818	93,818	87,818
Surgical equipments	827,764	802,049	64,674	-	64,674	-
Others	2,072,130	2,480,493	1,865,079	1,686,673	1,777,042	1,647,667
	1,160,932,938	1,152,093,529	171,812,612	149,377,054	154,587,769	134,688,966

#### Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
			(R upees in '000)			
Public/ Government	337,572,330	377,158,182	2,672,432	2,522,432	2,522,432	2,522,432
Private	823,360,608	774,935,347	169,140,180	146,854,622	152,065,337	132,166,534
	1,160,932,938	1,152,093,529	171,812,612	149,377,054	154,587,769	134,688,966

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### 48.2.1.4 Contingencies and Commitments

##### Credit risk by industry sector

	2020	2019
	------(Rupees in '000)-----	
Agriculture, Forestry, Hunting and Fishing	170,777	235,536
Mining and Quarrying	2,504,361	3,000
Textile	15,458,896	9,792,996
Chemical and Pharmaceuticals	9,627,728	14,507,473
Cement	4,233,715	10,121,549
Sugar	303,809	742,270
Footwear and Leather garments	102	10,928
Automobile and Transportation Equipment	8,508,034	1,979,186
Electronics and Electrical Appliances	2,959,697	2,154,502
Construction	9,036,263	9,697,086
Power (electricity), Gas, Water, Sanitary	112,020,726	159,559,087
Wholesale and Retail Trade	1,625,599	1,555,095
Exports / Imports	317,066	27,996
Transport, Storage and Communication	24,687,098	17,513,951
Financial	611,642,230	901,993,463
Services	785,767,094	746,058,170
Individuals	394,092	264,219
Fertilizer	1,395,322	3,853,225
Metal Products	9,763,519	2,365,866
Telecommunication	15,036,956	15,745,882
Public Sector Commodity Operations	12,565,661	1,095,352
Rice processing and Trading	39,174	44,951
Food and Tobacco	404,142	687,387
Glass and Ceramics	1,007,344	1,553,100
Paper and Board	551,970	551,120
Engineering	42,650,307	48,284,197
Plastic Products	268,729	142,657
Flour Mills	5,993	19,352
Surgical equipments	750	750
Others	2,306,954	3,335,814
	<b>1,675,254,109</b>	<b>1,953,896,161</b>

\* 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

	2020	2019
	------(Rupees in '000)-----	
Public / Government	948,334,918	876,232,352
Private	726,919,191	1,077,663,809
	<b>1,675,254,109</b>	<b>1,953,896,161</b>

#### 48.2.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,093,518 million (2019: Rs. 1,036,638 million) are as follows:

	2020	2019
	------(Rupees in '000)-----	
Funded	250,314,704	238,481,635
Non Funded	843,203,477	798,156,427
Total Exposure	<b>1,093,518,181</b>	<b>1,036,638,062</b>

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,280,786 million (2019: Rs. 1,073,636 million)



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### Total funded classified therein

	2020		2019	
	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 and Utilization

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

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

### 48.2.2 Market Risk

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

The Group's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies / procedures with the objective to mitigate market risk through the engagement of various strategies in relation with prices, rates, earning assets, liabilities and trading activities. Group 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 activities is carried out regularly to estimate the impact on the capital of the Group.

In addition to the regulatory requirements, Group has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Group 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.

### 48.2.2.1 Statement of Financial Position split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Investments	1,368,195,288	98,210,085	1,466,405,373	1,415,094,952	37,704,240	1,452,799,192
	1,368,195,288	98,210,085	1,466,405,373	1,415,094,952	37,704,240	1,452,799,192



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 48.2.2.2 Foreign Exchange Risk

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

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

	2020				2019			
	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	158,975,693	250,386,427	115,299,103	23,888,369	155,613,306	282,671,076	141,330,602	14,272,832
Great Britain Pound	4,253,451	5,613,790	3,235,840	1,875,502	4,386,930	6,303,626	6,257,773	4,341,077
Japanese Yen	4,080,732	1,123,760	168,624	3,125,596	5,142,262	1,304,374	(1,973,457)	1,864,432
Euro	8,625,157	10,298,009	3,462,911	1,790,059	8,582,016	9,514,725	6,608,767	5,676,058
Other currencies	68,372,930	20,716,084	2,996,887	50,653,733	76,936,212	27,595,177	4,171,279	53,512,313
	244,307,963	288,138,070	125,163,365	81,333,259	250,660,726	327,388,978	156,394,964	79,666,712

	2020		2019	
	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	-	2,917	5,612	-

### 48.2.2.3 Equity position Risk

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

	2020		2019	
	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	3,065,915	-	2,560,070	-

### 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 Group 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. Group 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2020

Effective Yield/ Interest rate	Total	2019 (Restated)										Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
(Rupees in '000)												
-----												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	293,198,090	32,909,138	599,716	796,971	569,701	-	-	-	-	-	-	258,322,564
Balances with other banks	13,598,325	4,811,370	1,212,496	435,643	662,730	-	-	-	-	-	-	6,476,086
Lending to financial institutions	134,780,010	132,680,048	2,099,962	-	-	-	-	-	-	-	-	-
Investments	1,452,799,192	7,869,810	53,453,774	14,695,312	738,447,962	185,955,357	85,224,162	97,554,750	186,426,924	13,494,958	69,676,184	-
Advances	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	85,021,268	459,555	-	-	163,947	-	31,302	-	-	-	-	84,357,259
	2,987,795,497	437,611,688	410,787,799	193,996,668	788,571,523	210,362,458	116,842,561	162,632,842	216,420,499	30,560,722	420,008,738	-
<b>Liabilities</b>												
Bills payable	19,867,424	-	-	-	-	-	-	-	-	-	-	19,867,424
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	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	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	-	-
Other liabilities	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	-
<b>On-balance sheet gap</b>												
	109,815,802	(1,081,474,585)	300,491,894	143,800,598	723,712,260	202,140,891	107,535,418	147,902,529	210,705,105	29,284,470	(674,282,776)	-
<b>Off-balance sheet financial instruments</b>												
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	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>												
	1,072,941,002	28,747,315	66,875,808	29,004,137	10,697,107	-	-	-	-	-	-	937,616,635
<b>Total Yield / Interest Risk Sensitivity Gap</b>												
	(1,052,727,270)	367,367,702	172,804,735	734,409,366	202,140,891	107,535,418	147,902,529	210,705,105	29,284,470	263,333,859	-	-
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>												
	(1,052,727,270)	(685,359,568)	(512,554,833)	(221,854,534)	(423,995,424)	(316,459,907)	(208,924,489)	(90,991,960)	(19,286,455)	(1,182,756,806)	-	-
<b>Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities</b>												
<b>Total Financial Assets as per note 48.2.2.5</b>												
<b>Add: Non-Financial Assets</b>												
Fixed assets												2,987,795,497
Intangible assets												54,919,564
Right of Use Assets												1,070,766
Other assets												7,447,414
												81,127,027
<b>Total assets as per statement of financial position</b>												3,132,360,268
<b>Total Financial Liabilities as per note 48.2.2.5</b>												
<b>Add: Non-Financial Liabilities</b>												
Deferred tax liabilities												10,869,353
Other liabilities												4,288,665
												6,269,283
<b>Total liabilities as per statement of financial position</b>												2,893,137,713

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 48.2.3 Operational Risk

The Group 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 Group's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the operational risk strategy of the Group, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

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

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

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

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

The Group has a duly tested Business Continuity Plan (BCP). The Group has communicated the plan with its customers on how they can connect with the Group through its digital and online channels. The Group continued to take measures to ensure the maintenance of their service levels, customer complaints were resolved, in order for the Group to meet the expectations of its stakeholders.

The Group's operations stayed highly resilient, almost more than 95% branches remained open to facilitate its customers. Further, the Group deployed all necessary measures for the health and safety of its employees to prevent them from the pandemic situation.

### 48.2.4 Information Security Risk

We rank cyber security as one of our top priority risks. Our extensive customer base and increasing focus on information technology growth, mean that our data is protected and our systems are safe. Further, due to COVID-19, the Group has taken appropriate actions to monitor and respond to ever evolving cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented. We have governance mechanisms in place to develop, deploy and monitor information security policies, internal controls and cyber security framework across our businesses.

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 48.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Group 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 Group. These risks include Concentration Risk, Interest Rate Risk in Grouping Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

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

The Group has also prepared various scenarios and accordingly quantified losses against different types of risks based on sophisticated statistical models, such as, macro-stress testing - a regression based methodology. This is developed and implemented by the Group assuming deterioration in macro-economic factors that measures any negative impact on the capital of the Group.

### 48.2.6 Liquidity Risk

Liquidity risk is the risk that the Group 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. Groups are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses.

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

Asset and Liability Company ALCO is responsible for ensuring that the Group 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 probatively identify and manage liquidity position, needs /requirements. Group has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Group calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters [(LA/ D&B), Gross ADR (net of refinancing from SBP)] besides other internal liquidity measures like total approved securities to deposit, etc. Moreover, the recent fall in interest rate has resulted in substantial MTM gain in Government Securities portfolio, which can be realised in case of any adverse liquidity situation.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 48.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

2020											
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
(Rupees in '000)											
<b>Assets</b>											
Cash and balances with treasury banks	249,969,566	150,576,268	1,763,659	45,629,218	49,204,166	2,796,253	-	-	-	-	-
Balances with other banks	15,015,366	13,504,566	364,979	455,390	690,430	-	-	-	-	-	-
Lendings to financial institutions	126,804,675	126,804,675	-	-	-	-	-	-	-	-	-
Investments	1,466,405,373	167,155,470	466,849,352	45,910,297	153,236,466	97,899,248	157,346,293	125,301,464	237,876,475	14,830,308	51,725,124
Advances	983,871,421	303,935,213	149,736,917	56,019,840	59,209,071	41,668,685	78,281,159	157,288,456	86,006,957	48,774,543	1,137,958
Fixed assets	55,086,809	53,118	62,870	2,135	893,464	2,879,531	734,166	1,617,909	65,974	562,553	-
Intangible assets	1,022,143	91	-	1,239	133,371	131,741	127,175	65,974	1,528,327	2,628,348	-
Right of use assets	7,017,020	201	19,924	51,391	230,818	683,219	736,834	1,528,327	2,628,348	1,137,958	-
Other assets	112,017,619	38,346,832	17,560,952	9,314,994	2,410,468	38,266,979	3,351,081	2,766,313	-	-	-
	3,017,209,992	800,376,434	636,358,653	157,384,504	266,008,254	184,325,656	240,576,708	288,568,443	327,143,406	116,467,933	-
<b>Liabilities</b>											
Bills payable	16,795,186	8,784,880	499,727	6,439,082	194,485	877,012	-	-	-	-	-
Borrowings	138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,766	3,509,557	6,420,414	5,108,790	-	-
Deposits and other accounts	2,418,928,469	691,637,237	118,540,644	338,032,867	336,495,938	309,364,692	305,388,438	317,997,480	1,471,174	-	-
Liabilities against assets subject to finance lease	197,224	-	-	-	73,480	-	-	123,744	-	-	-
Lease liability against right of use assets	7,869,355	14,255	21,491	58,035	233,248	848,036	669,345	1,897,552	2,838,255	1,289,138	-
Deferred tax liabilities	2,933,124	-	-	-	2,278	-	-	2,930,846	-	-	-
Other liabilities	157,545,347	61,524,307	38,344,563	15,612,721	3,279,386	15,947,785	5,339,632	10,747,569	5,053,492	5,038,308	-
	2,742,807,710	2,148,160,224	168,400,171	417,051,488	382,795,245	329,430,291	314,906,972	340,117,605	14,471,711	6,327,446	-
	274,402,282	(1,534,930,471)	467,958,483	(259,666,984)	(116,786,991)	(145,104,635)	(74,330,264)	(51,549,162)	312,671,695	110,140,486	-
<b>Net assets</b>											
Share capital	21,275,131	-	-	-	-	-	-	-	-	-	-
Reserves	57,591,417	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	120,631,784	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	73,987,802	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	916,148	-	-	-	-	-	-	-	-	-	-
	274,402,282	-	-	-	-	-	-	-	-	-	-
<b>Assets</b>											
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	134,780,010	132,680,048	2,099,962	-	-	-	-	-	-	-	-
Investments	1,452,799,192	7,993,610	53,453,774	14,935,084	779,950,229	189,531,577	104,055,918	98,526,197	186,426,924	17,925,879	41,561,943
Advances	1,008,398,612	301,052,085	167,020,539	58,704,756	84,415,381	36,874,683	53,761,740	177,837,223	87,170,265	48,635,974	-
Fixed assets	54,919,564	60,385	87,223	16,585	820,869	2,854,733	751,216	1,692,577	-	-	-
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	166,148,295	51,386,712	32,930,769	11,865,589	4,532,745	53,547,444	9,266,233	2,596,438	-	22,369	-
	3,132,360,268	670,093,515	260,057,018	144,617,107	929,094,101	290,632,260	168,710,015	282,387,625	277,430,007	109,338,631	-
<b>Liabilities</b>											
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	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
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	-
	239,222,555	(454,212,906)	58,116,975	(166,739,665)	572,719,909	(946,164)	(112,852,485)	(22,218,637)	261,557,231	103,798,308	-
<b>Net assets</b>											
Share capital	21,275,131	-	-	-	-	-	-	-	-	-	-
Reserves	53,260,789	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	93,465,516	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	70,358,587	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	862,532	-	-	-	-	-	-	-	-	-	-
	239,222,555	-	-	-	-	-	-	-	-	-	-



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 48.2.7 Derivative Risk

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

Currently, the Group is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivative 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 Group may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

### 49. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. Nil per share (2019: Rs. Nil per share) amounting to Rs. Nil (2019: Rs. Nil) at its meeting held on February 24, 2021 for approval of the members at the annual general meeting to be held on March 29, 2021. These consolidated financial statements do not reflect this appropriation as explained in note 5.22.

### 50. CORRESPONDING FIGURES

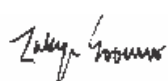
Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

### 51. GENERAL

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

### 52. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 24, 2021 by the Board of Directors of the Bank.



Zubyr Soomro  
Chairman



Arif Usmani  
President & CEO



Abdul Wahid Sethi  
Chief Financial Officer



Imam Bakhsh Baloch  
Director



Asif Jooma  
Director

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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, 2020

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				
1	Altat Hussain Mohallan Raj Ghaat Suraj Miani Multan	3	4	5	6	7	8	9	10	11	12
1	Altat Hussain 36302-6946741-1	Altat Hussain 36302-6946741-1	Wahid Bukhsh	1,154	85	-	1,239	1,154	-	-	1,154
2	Khalid Mehmood Mohri Pur, PO, Khass, Kabirwala	Khalid Mehmood 36102-1203646-7	Malik Khadim Hussain	593	226	-	819	593	-	-	593
3	Syed Mutee Ullah Shah Near Railway Phatak Chah Bakhi wala, Mirali wahan, shujaabad	Syed Mutee Ullah Shah 36304-1352078-9	Ghulam Nabi Shah	737	-	-	737	737	-	-	737
4	Muhammad Akhtar SO Muhammad Shafi, Mohallah Saddiq Pura Marawal	Muhammad Akhtar 34501-2010714-9	Muhammad Shafi	513	-	-	513	513	-	-	513
5	Late Hafiz Nazar Ali Latif Colony Rahmatpur Muhalla Dist Larkana	Late Hafiz Nazar Ali 43203-7490491-1	Ali Murad Mastoi	1,600	-	-	1,600	1,600	-	-	1,600
6	Late Deedar Ali S/O Muhammad Khan Village near Khan PO Qubo Saeed Khan Dist Kambar Shahdadkot	Late Deedar Ali 43206-2090547-9	Muhammad Khan	1,272	-	-	1,272	1,272	-	-	1,272
7	Late Sultan Ahmed S/O Bahram Khan Muhalla Misri Shah PO Shahdadkot Dist:Kamver Shahdadkot	Late Sultan Ahmed 43406-0364231-5	Bahram Khan	1,054	-	-	1,054	1,054	-	-	1,054
8	Late Muhammad Akbar S/O Mirza Khan Jagirani Village Haut Dahoot taluka Kambar Dist: Kambar Shahdadkot	Late Muhammad Akbar 43203-9191745-9	Mirza Khan Jagirani	701	-	-	701	702	-	-	702
9	Late Qamaruddin S/O Moor Khan Jiho Village Wasand Jeho PO Khan Waha Wasand Jeho Ratodero Dist Larkana	Late Qamaruddin 43205-4474253-7	Moor Khan Jiho	612	-	-	612	612	-	-	612
10	Late Ghulam Hyder S/O Nabi Bux Solangi Shaki Sulman Shah Colony Bharseedabad Taluka Sehwan	Late Ghulam Hyder 41206-5183938-7	Nabi Bux Solangi	779	-	-	779	779	-	-	779
11	Late Shabir Ahmed S/O Mehar Khan Mashori Village Mehrani Taluk Dokri Dist Larkana	Late Shabir Ahmed 43201-6119252-1	Mehar Khan Mashori	600	-	-	600	600	-	-	600
12	Late Muhammad Bux S/O Gul Hassan Shaikh Allah Abad Muhalla Bakrani Road Larkana	Late Muhammad Bux 43203-6881404-5	Gul Hassan Shaikh	612	-	-	612	612	-	-	612
13	Late Khalid Akber S/O Ghulam Akber Near Petrol Pump Lahori Muhalla Larkana	Late Khalid Akber 43203-4663692-5	Ghulam Akber	752	-	-	752	752	-	-	752
14	Late Muhammad Sharif S/O Qurban Ali Qureshi R/O Shahbaz Colony Khairpur Nathan Shah	Late Muhammad Sharif 41203-1684038-7	Qurban Ali Qureshi	649	-	-	649	649	-	-	649
15	Late Muhammad Uris S/O Ali Bux Khoso Mir Pur Muhalla K N Shah	Late Muhammad Uris 41203-8342097-7	Ali Bux Khoso	944	-	-	944	944	-	-	944
16	Late Muhammad Sadique S/O Nek Muhammad Village Nek Muhammad Khastheli, Taluka Dokri	Late Muhammad Sadique 43201-5697388-9	Nek Muhammad	578	-	-	578	578	-	-	578
17	Late Rehmutullah S/O Khuda Bux Village Abdul Haq Khan Khoso PO Behram Sitt Kambar Shahdadkot	Late Rehmutullah 43204-6997069-9	Khuda Bux	650	-	-	650	650	-	-	650
18	Late Qurban Ali S/O Haji Ali Sher Village Ghulam Panthwar PO Phulji Station Distt Dadu	Late Qurban Ali 41201-1761586-7	Haji Ali Sher	757	-	-	757	757	-	-	757
19	Late Ali Akbar Attar Village Muhammad Yousif Aataar Khass Chandia Dadu	Late Ali Akbar Attar 41409-7424261-9	Muhammad Essa Attar	708	-	-	708	709	-	-	709
20	Late Najeebullah S/O Abdul Latif Abro Village Agham No.02 Bangundero Taluka Ratodero Dist Larkana	Late Najeebullah 43205-0746683-5	Abdul Latif Abro	905	-	-	905	905	-	-	905

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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				
21	Late Abdul Qayoom S/O Muhammad Bux Khan Village Jan Beg Khan Kanrani Taluka Thuli Distt Jacobabad	Late Abdul Qayoom 43105-9171427-1	Muhammad Bux Khan	828	-	-	828	828	-	-	828
22	Late Wali Muhammad S/O Shafi Muhammad Soomro Village Mirpur Burro Taluka Thuli Distt Jacobabad	Late Wali Muhammad 43105-0611960-5	Shafi Muhammad Soomro	777	-	-	777	777	-	-	777
23	Late Muhammad Ibrahim S/O Muhammad Paryal Dayo New Doctor Colony Ratodero	Late Muhammad Ibrahim 43205-4020282-7	Muhammad Paryal Dayo	926	-	-	926	926	-	-	926
24	Late Shah Nawaz S/O Ghulam Murtaza Village Fatahpur K.N.Shah	Late Shah Nawaz 41203-7142814-7	Ghulam Murtaza	741	-	-	741	742	-	-	742
25	Late Mumtaz Ali S/O Wali Muhammad CNIC NO.43404-0370901-3	Late Mumtaz Ali 43404-0370901-3	Wali Muhammad	805	-	-	805	805	-	-	805
26	Late Haji Amir Ali S/O Haji Allah Rakhio Near Hydri Plice Station, Muhalla Chandia Larkana Distt: Larkana	Late Haji Amir Ali 43203-6180269-5	Haji Allah Rakhio	511	-	-	511	511	-	-	511
27	Late Saeed Khan S/O Khair Muhammad Jakhar Tharo Dero Bughti Baloch Taluka Larkana	Late Saeed Khan 43203-7505426-3	Khair Muhammad Jakhar	832	-	-	832	832	-	-	832
28	Late Macbool Ahmed S/O Abdul Razak Sejawal Junejo Village Kot Lal Bux	Late Macbool Ahmed 43204-9627749-3	Abdul Razak	751	-	-	751	752	-	-	752
29	Late Fareed Ahmed S/O Nizamuddin Peoples Colony, Muhalla Lahori Larkana	Late Fareed Ahmed 43203-1354620-3	Nizamuddin	614	-	-	614	614	-	-	614
30	Late Lal Bux S/O Allah Wadhayo Abro Muhall Galib Nagar Larkana	Late Lal Bux 43203-0687077-5	Allah Wadhayo Abro	703	-	-	703	703	-	-	703
31	Late Shafi Muhammad S/O Gul Hassan Village & P.O Hamavoon Taluka & Dist Shikarpur	Late Shafi Muhammad 43304-8743973-1	Gul Hassan	913	-	-	913	913	-	-	913
32	Late Kale Ayas Wazir Ali S/O Bashir Ahmed Near Qubo Road H. No.2665/62 Drib Muhammad P.O ShahdadkotDistt Kamber Shahdadkot	Late Kale Ayas Wazir 43406-0357163-7	Bashir Ahmed	540	-	-	540	540	-	-	540
33	Late Ghulam Sarwar S/O Hidayatullah Village Philiri Taluka Sijawal Junejo Distt: Kamber Shahdadkot	Late Ghulam Sarwar 43204-1149630-9	Hidayatullah	599	-	-	599	599	-	-	599
34	Late Zaid Hussain S/O Muhammad Roshan Samo R/O Kori Muhalla Khairpur Nathan Shaha	Late Zaid Hussain 41203-0458636-1	Muhammad Roshan Samo	516	-	-	516	516	-	-	516
35	Late Aliah Dino S/O Mazhar Hussain Solangi Ward No.05 Solangi Muhalla Sita Road Taluka K.N Shah Dist Dadu	Late Aliah Dino 41203-7373911-1	Mazhar Hussain Solangi	501	-	-	501	502	-	-	502
36	Late Ahmed Ali S/O Amanullah Joyo CNIC NO.43207-0849012-9	Late Ahmed Ali 43207-0849012-9	Amanullah Joyo	520	-	-	520	520	-	-	520
37	Late Muhammad Fareed S/O Muhammad Mureed CNIC NO.43203-7753014-3	Late Muhammad Fareed 43203-7753014-3	Muhammad Mureed	522	-	-	522	522	-	-	522
38	Late Ghulam Hyder S/O Mehmood Mirbar Near Darogh Sharif Makan No.601 Muhalla Rahmatpur	Late Ghulam Hyder 43205-4232086-9	Mehmood Mirbar	592	-	-	592	592	-	-	592
39	Late Aga Abdul Sattar Khan Muhalla Khair Muhammad Khan Shikarpur	Late Aga Abdul Sattar Khan 43304-1870923-5	Aga Abdul Fatah	539	-	-	539	539	-	-	539
40	Late Abdul Razaq S/O Bagan Banglani Village Blawal Banglani Taluka Thuli Dist Larkana	Late Abdul Razaq 43105-7856760-5	Bagan Banglani	601	-	-	601	601	-	-	601
41	Late Ramdas S/O Mangha Ram Muhalla Harefan Ratodero	Late Ramdas 43205-0110482-7	Mangha Ram	539	-	-	539	539	-	-	539
42	Late Muhammad Mako Village Ghulam Qadir Dakhan Ratodero	Late Muhammad Mako 43301-4080311-9	Muhammad Hashim	586	-	-	586	587	-	-	587
43	Late Ali Sher S/O Mubarak Chandio Village Din Muhammad Chandio Larkana	Late Ali Sher 43203-6704535-7	Mubarak Chandio	581	-	-	581	581	-	-	581
44	Late Ishaad Ahmed S/O Muhammad Usman Massan Road Muhalla Muhammad Pur Larkana	Late Ishaad Ahmed 43203-7737131-9	Muhammad Usman	513	-	-	513	513	-	-	513

Rs. in 000

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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				
45	Late Ghulam Akber S/O Ali Nawaz Shaikh Near Mustafa Masjid Muhalla New Shaikh Zed Colony Larkana	Late Ghulam Akber 43204-3518049-7	Ali Nawaz Shaikh	988	-	-	988	988	-	-	988
46	Manzoor Ahmad, Momin Pura Syedan Chak Ramdas District Gujranwala	Manzoor Ahmad 34102-1894803-3	Muhammad Abdullah	741	99	-	840	741	-	-	741
47	Mr. Malik Muhammad Afzal S/o Malik Hussain Bukhsh Basti samia wahgan P/O zahrip. Tehsil Khanpur.	Mr. Malik Muhammad Afzal 36301-9459345-5	Malik Hussain Bukhsh	528	-	-	528	528	-	-	528
48	Syed Sikandar Jalal H.No. 128, Street No. 5 Shiekh Maltoon Town Mardan	Syed Sikandar Jalal Qasim 16101-5375266-9	Syed Muhammad Saleem	602	71	-	673	602	-	-	602
49	Raja Muhammad Aslam, Village Cheleyana Jageer, Tehsil Athmuqam, Distt Neelum, AK	Raja Muhammad Aslam 82201-1887006-7	Hadayullah Janjuya	720	-	-	720	720	-	-	720
50	Syed Zameer Hussain Shah, Village Neelum, P/O Karin, Tehsil Athmuqam, Distt Neelum, AK	Syed Zameer Hussain Shah 82201-9867009-1	Syed Jehangir Shah	694	-	-	694	694	-	-	694
51	Kashif Mahmood Awan Near Ara Machine Mohalla Uper Chatter Mzd	Kashif Mahmood Awan 82203-4515133-7	Muhammad Shaikat	710	-	-	710	710	-	-	710
52	Muhammad Waris VPO Chanjiana Kotli Satian, Rawalpindi	Muhammad Waris 37403-7827627-3	Qaim Din	519	-	-	519	519	-	-	519
53	Mr. Muhammad Akram S/o Muhammad Ashraf Chak Baia Arain, Bahawalpur	Mr. Muhammad Akram 31101-8414687-7	Muhammad Ashraf	914	-	-	914	914	-	-	914
54	Mr. Muhammad Siddique S/o Din Muhammad H# 21, muslim town, renala khurd, dist. Okara	Mr. Muhammad Siddique 35303-2100954-9	Din Muhammad	545	-	-	545	545	-	-	545
55	Muhammad Bashir (Layyah)	Muhammad Bashir 32203-2026317-1	Ahmad Bakht	866	-	-	866	866	-	-	866
56	Sahibzada Wajih ur Rasool Rasool Mohallah Khair Shah, Pind Dardan Khan, T&D, Jhelum	Sahibzada Wajih ur Rasool 37302-1043762-1	Sahibzada Maqsood ur Rasool	705	-	72	777	705	-	-	705
57	M/S Abbas Khakhi & Company situated at Mouza Raighat Suraj Miran Multan	Mr. Sadar Abbas Khakhi 36303-0897990-1	Malik Bilal Khakhi	198	2,103	150	2,451	-	-	1,362	1,362
58	Mr. Dewan Syed Muhammad Taqi, near sunny bakers siddiqia road new gulgasht colony multan.	Mr. Dewan Syed Muhammad Taqi 36302-8994032-9	Dewan Syed Khurshid Ahmad	-	2,172	-	2,172	-	-	1,629	1,629
59	Muhammad Khurshed S/o Muhammad Sharif Bhero Waal, Post Office Khanewal Tehsil and District Khanewal	Muhammad Khurshed 36103-6550070-5	Muhammad Sharif	-	1,797	-	1,797	-	-	1,438	1,438
60	Mst. Suraya Begum House no 493, Mohallah Qazi Jalal, Inside Pak Gate Multan	Mst. Suraya Begum 36302-2486354-2	Malik Falak Sher	470	2,108	30	2,608	-	-	993	993
61	Muhammad Afzal Tahir Jamal Naghar Kotli Junaid Tehsil Malisi District Vehari	Muhammad Afzal Tahir 36602-7023083-3	Mian Ahmad Bux	5,530	3,818	79	9,427	-	-	1,342	1,342
62	M/S Dress Valley Sharif Plaza LMQ Road, Multan	Kh. Anees ur Rehman 42000-7480710-1	Kh. Mujeeb ur Rehman	405	881	50	1,336	-	-	577	577
63	Muhammad Iqbal Bhatti Gali No. 6, Mahallah Haji Noor Pura, Daska Municipal Town Committee, Tehsil Daska.	Mr. Muhammad Iqbal Bhatti 34601-9185407-9	Nathay Khan Bhatti Baig	-	-	3,569	3,569	-	-	2,192	2,192
64	M/s. Ahmed Brothers Ginners (Pvt.) Ltd. Address Chak # 112 Multan Road Jehanian Distt Khanewal	Aman Ullah 36101-1235934-5 Fozia Aman 36303-1861958-6 Nasreen Akhtar 36101-6838097-8 Muhammad Iftikhar 36303-0966831-3 Sajid Ali 36302-3438348-9 Samina Sajid 36302-8562640-0	Nazeer Hussain Muhammad Ayyub Aman Ullah Rehmat Ali Muhammad Ibrahim Sajid Ali	-	2,413	30	2,443	-	-	1,981	1,981
65	M/s Farmer Cotton Ginners Address Bypass Road Jehanian Distt Khanewal	Muhammad Iftikhar 36303-0966831-3 Sajid Ali 36302-3438348-9 Samina Sajid 36302-8562640-0	Rehmat Ali Muhammad Ibrahim Sajid Ali	2,910	2,645	30	5,585	-	-	1,595	1,595

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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				
66	Firdous Arshad Mouza Rango Khan, tehsil Kehrore Pecca, Lodhran	Firdous Arshad 36602-4385686-4	Muhammad Arshad Khan	2,885	1,522	17	4,424	-	-	543	543
67	M/S. Shikrani Model Industries, Cotton Ginning Pressing and Oil Mills, KLP Road, Uch Sharif	1. Mr. Muhammad Sharif, 31201-4834670-3 2. Mr. Muhammad Asghar Badar, 31202-2785705-7 3. Mr. Muhammad Ajmal Khan 31201-6511835-7	1. Khuda Bukhsh. 2. Khuda Bukhsh 3. Khuda Bukhsh.	1,888	1,280	55	3,203	-	-	1,656	1,656
68	M/S. Shikrani Zari Service . Near Old Larry Adda Mohallah Shams Colony, Uch Sharif Teh Ahmadpur East Distt Bahawalpur	1. Mr. Muhammad Sharif 31201-4834670-3 2. Muhammad Iqbal Khan 31202-3147441-3	1. Khuda Bukhsh 2. Muhammad Sharif	1,299	-	35	1,334	-	-	776	776
69	M/S. Shikrani Traders. Main Bazar, Uch Sharif	Mr. Muhammad Asghar Badar, 31202-2785705-7	Khuda Bukhsh	900	-	32	932	-	-	554	554
70	M/s. H.W. Dairies Pvt Ltd. Hujra Chunian Road, Mirajabad, District Okara	(1) Muhammad Ilyas Miraj 35202-7301494-9 (2) Haseeb Ilyas 35202-7459688-5, (3) Mian Waqas Riaz 35202-2562237-9	(1) S/o Mian Miraj Din (2) S/o Mian Muhammad Ilyas Miraj (3) S/o Mian Muhammad Riaz Miraj	34,779	15,664	205	50,648	-	-	605	605
				91,496	36,884	4,354	132,734	40,260	-	17,243	57,503

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

#### Annexure - II

#### ISLAMIC BANKING BUSINESS

The bank is operating 191 (2019: 190) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2020.

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>ASSETS</b>			
Cash and balances with treasury banks		5,713,009	4,405,856
Balances with other banks		11,948	5,841
Due from financial institutions	1	-	2,059,162
Investments	2	42,109,641	29,811,515
Islamic financing and related assets - net	3	37,546,704	33,880,482
Fixed assets		148,884	174,862
Right of use assets (ROUA)		755,116	861,049
Other assets		2,676,118	4,853,963
<b>Total Assets</b>		<b>88,961,420</b>	<b>76,052,730</b>
<b>LIABILITIES</b>			
Bills payable		339,103	256,804
Due to financial institutions		-	-
Deposits and other accounts	4	75,268,262	63,285,896
Due to head office		4,124,758	2,784,801
Lease liability against right of use assets		903,196	943,375
Other liabilities		2,198,144	3,767,018
		<b>82,833,463</b>	<b>71,037,894</b>
<b>NET ASSETS</b>		<b>6,127,957</b>	<b>5,014,836</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		3,360,000	2,200,000
Surplus on revaluation of assets		659,569	775,696
Unappropriated / unremitted profit	6	2,108,388	2,039,140
		<b>6,127,957</b>	<b>5,014,836</b>

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2020 is as follows:

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Profit / return earned	7	7,994,894	7,144,877
Profit / return expensed	8	(3,456,533)	(3,284,831)
Net profit / return		<b>4,538,361</b>	<b>3,860,046</b>
<b>Other income</b>			
Fee and commission income		367,852	436,935
Foreign exchange income		56,745	105,951
Other income		1,344	1,006
Total other income		<b>425,941</b>	<b>543,892</b>
Total income		<b>4,964,302</b>	<b>4,403,938</b>
<b>Other expenses</b>			
Operating expenses		(2,453,894)	(2,439,232)
Other charges		(2,512)	(1,280)
Total other expenses		<b>(2,456,406)</b>	<b>(2,440,512)</b>
<b>Profit before provisions</b>		<b>2,507,896</b>	<b>1,963,426</b>
Provisions and write offs - net		(399,508)	75,714
<b>Profit before taxation</b>		<b>2,108,388</b>	<b>2,039,140</b>
Taxation		-	-
<b>Profit after taxation</b>		<b>2,108,388</b>	<b>2,039,140</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
<b>1 Due from Financial Institutions</b>	<b>(Rupees in '000)</b>					
<b>Unsecured</b>						
Bai Muajjal Receivable from State Bank of Pakistan	-	-	-	2,059,162	-	2,059,162
	-	-	-	2,059,162	-	2,059,162

This represent Bai Muajjal agreement with State Bank of Pakistan which carries profit rate of Nil (2019: 10.39%) per annum.

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
<b>2 Investments by segments:</b>	<b>(Rupees in '000)</b>							
<b>Federal Government Securities:</b>								
- Ijarah Sukuks	6,000,000	-	15,600	6,015,600	2,000,000	-	(21,200)	1,978,800
- Others (Bai Muajjal with GOP @ 13.30%)	11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235
	17,641,133	-	15,600	17,656,733	12,395,235	-	(21,200)	12,374,035
<b>Non Government Debt Securities</b>								
- Listed	8,400,000	-	311,741	8,711,741	4,400,000	-	602,100	5,002,100
- Unlisted	15,539,747	(130,807)	332,228	15,741,168	12,371,391	(130,807)	194,796	12,435,380
	23,939,747	(130,807)	643,969	24,452,909	16,771,391	(130,807)	796,896	17,437,480
<b>Total Investments</b>	<b>41,580,879</b>	<b>(130,807)</b>	<b>659,569</b>	<b>42,109,641</b>	<b>29,166,626</b>	<b>(130,807)</b>	<b>775,696</b>	<b>29,811,515</b>

	Note	2020	2019
		<b>(Rupees in '000)</b>	
<b>3 Islamic financing and related assets</b>			
Ijarah	3.1	168,788	255,639
Murabaha	3.2	3,464,401	1,716,542
Musawama		-	22,243
Diminishing Musharaka		17,614,309	15,869,641
Istisna		50,000	-
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advances against Islamic assets (Ijarah, Murbaha, DM, Istisna)		8,076,678	7,180,631
Inventory related to Islamic financing (Istisna)		275,600	539,349
Gross Islamic financing and related assets		38,149,776	34,084,045
Less: provision against Islamic financings			
- Specific		(602,913)	(203,324)
- General		(159)	(239)
		(603,072)	(203,563)
<b>Islamic financing and related assets - net of provision</b>		<b>37,546,704</b>	<b>33,880,482</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

2020						
Cost			Accumulated Depreciation			Book Value as at December 31, 2020
At January 1, 2020	Additions / (deletions)	As at December 31, 2020	At January 1, 2020	Charge/ Adjustment for the year	As at December 31, 2020	
(Rupees in '000)						
Plant & Machinery	255,075	-	249,123	137,966	42,760	175,050
		(5,952)			(5,676)	
Vehicles	277,812	-	239,219	139,282	42,832	144,504
		(38,593)			(37,610)	
Total	532,887	-	488,342	277,248	85,592	319,554
		(44,545)			(43,286)	

2019						
Cost			Accumulated depreciation			Book Value as at December 31, 2019
At January 01, 2019	Additions / (deletions)	As at December 31, 2019	At January 01, 2019	Charge/ Adjustment for the year	As at December 31, 2019	
----- (Rupees in '000) -----						
Plant & Machinery	573,290	-	255,075	350,797	75,826	137,966
		(318,215)			(288,657)	
Vehicles	319,205	28,958	277,812	105,629	85,305	139,282
		(70,351)			(51,652)	
Total	892,495	28,958	532,887	456,426	161,131	277,248
		(388,566)			(340,309)	

### Future Ijarah payments receivable

2020				2019			
Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
(Rupees in '000)							
Ijarah rental receivables	85,318	91,290	-	176,608	86,070	217,069	-
							303,139

### 3.2 Murabaha

Murabaha financing  
Advances for Murabaha

Note	2020	2019
	(Rupees in '000)	
3.2.1	3,464,401	1,716,542
	1,199,500	2,000,000
	4,663,901	3,716,542

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- (Rupees in '000) -----	2019 -----
<b>3.2.1</b> Murabaha receivable - gross	3.2.2	<b>3,629,825</b>	1,835,295
Less: Deferred murabaha income	3.2.4	<b>47,306</b>	71,105
Less: Profit receivable shown in other assets		<b>118,118</b>	47,648
Murabaha financings		<b>3,464,401</b>	1,716,542
<b>3.2.2</b> The movement in Murabaha financing during the year is as follows:			
Opening balance		<b>1,835,295</b>	2,112,680
Sales during the year		<b>10,600,101</b>	9,329,239
Adjusted during the year		<b>8,805,571</b>	9,606,624
Closing balance		<b>3,629,825</b>	1,835,295
<b>3.2.3</b> Murabaha sale price		<b>10,600,101</b>	9,329,239
Murabaha purchase price		<b>9,901,022</b>	8,842,127
		<b>699,079</b>	487,112
<b>3.2.4</b> Deferred murabaha income			
Opening balance		<b>71,105</b>	25,372
Arising during the year		<b>287,727</b>	487,847
Less: Recognised during the year		<b>311,526</b>	442,114
Closing balance		<b>47,306</b>	71,105

4	Deposits	2020			2019		
		In local currency	In Foreign currencies	Total	In local currency	In foreign currencies	Total
		----- (Rupees in '000) -----					
	<b>Customers</b>						
	Current deposits	<b>26,363,269</b>	<b>111,710</b>	<b>26,474,979</b>	20,455,905	94,851	20,550,756
	Savings deposits	<b>33,051,442</b>	-	<b>33,051,442</b>	22,671,179	-	22,671,179
	Term deposits	<b>10,129,005</b>	-	<b>10,129,005</b>	12,720,085	-	12,720,085
		<b>69,543,716</b>	<b>111,710</b>	<b>69,655,426</b>	55,847,169	94,851	55,942,020
	<b>Financial Institutions</b>						
	Current deposits	<b>778,039</b>	-	<b>778,039</b>	815,386	-	815,386
	Savings deposits	<b>3,633,797</b>	-	<b>3,633,797</b>	3,028,490	-	3,028,490
	Term deposits	<b>1,201,000</b>	-	<b>1,201,000</b>	3,500,000	-	3,500,000
		<b>5,612,836</b>	-	<b>5,612,836</b>	7,343,876	-	7,343,876
		<b>75,156,552</b>	<b>111,710</b>	<b>75,268,262</b>	63,191,045	94,851	63,285,896

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
<b>4.1 Composition of deposits</b>		
- Individuals	36,485,509	28,456,381
- Government / Public Sector Entities	23,406,681	17,564,494
- Banking Companies	2,698,853	7,339,558
- Non-Banking Financial Institutions	2,913,983	4,318
- Private Sector	9,763,236	9,921,145
	<b>75,268,262</b>	<b>63,285,896</b>
<b>4.2</b> This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 39,137 million (2019: Rs. 31,851 million).		
<b>5 Charity Fund</b>		
Opening Balance	10,911	1,059
<b>Additions during the period</b>		
Received from customers on account of delayed payment	710	11,852
	<b>11,621</b>	<b>12,911</b>
Payments / utilization during the period		
Education	1,500	-
Health	9,500	2,000
	<b>11,000</b>	<b>2,000</b>
Closing Balance	<b>621</b>	<b>10,911</b>
Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	3,000	1,000
Sindh Institute of Urology and Transplantation (SIUT)	-	1,000
The Prime Minister's Covid-19 Pandemic Relief Fund -2020	5,000	-
Shaukat Khanum Memorial Trust	1,000	-
Institute of Business Administration (IBA)	1,500	-
	<b>10,500</b>	<b>2,000</b>
<b>6 Islamic Banking Business Unappropriated/ Unremitted Profit / (loss)</b>		
Opening Balance	2,039,140	(57,150)
Add: Islamic Banking profit for the year	2,108,388	2,039,140
Less: Transferred / remitted to Head Office	(2,039,140)	57,150
Closing Balance	<b>2,108,388</b>	<b>2,039,140</b>
<b>7 Profit / Return Earned on Financing, Investments and Placement</b>		
Profit earned on:		
Financing	3,991,541	3,385,613
Investments	2,714,544	2,325,785
Placements	30,245	206,344
Others (Bai Muajjal)	1,258,564	1,227,135
	<b>7,994,894</b>	<b>7,144,877</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2020

	2020	2019
	----- (Rupees in '000) -----	
<b>8 Profit on Deposits and other Dues Expensed</b>		
Deposits and other accounts	2,956,946	2,817,622
Amortisation of lease liability against - ROUA	89,738	91,487
Others (General Account)	409,849	375,722
	<b>3,456,533</b>	<b>3,284,831</b>

## 9 Pool Management

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

### a) General depositor pool

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

### b) Special depositor pools (Total 140 during the year and 43 as at December 31, 2020)

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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

Sector	2020	2019
	Percentage	Percentage
Fertilizer	1.54%	2.16%
Textile	3.21%	4.94%
Fuel & energy	48.01%	41.72%
Leasing/Modarbas	0.21%	0.29%
Sugar	6.51%	5.88%
Cement	9.00%	10.54%
Gas	1.58%	2.57%
Financial	2.00%	4.87%
Federal Government	19.68%	17.43%
Real Estate	2.20%	2.80%
Others	6.06%	6.81%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### 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-20 (Rupees in '000)
<b>Mudarib Share</b>	
Gross Distributable Income	4,871,556
Mudarib (Bank) share of profit before Hiba	1,814,707
Mudarib Share in percentage	37%
<b>Hiba from Mudarib Share</b>	
Mudarib (Bank) share of profit before Hiba	1,814,707
Hiba from bank's share to depositors	284,690
Hiba from bank's share to depositors in percentage	16%
<b>Profit rates</b>	

During the year the average profit rate earned by NBP Islamic Banking Group is 11.52% and the profit rate distributed to the depositors is 6.69%.

# Pattern of Shareholding Report

**As of December 31, 2020**

Description	No of shareholders	No of Shares	per %
<b>Government</b>			
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
<b>Associated Companies, Undertakings and related parties</b>			
FIRST CREDIT & INVESTMENT BANK LIMITED	1	70,000	0.00
<b>STATE BANK OF PAKISTAN</b>	1	1,599,845,728	75.20
<b>Mutual Funds</b>	19	10,620,999	0.50
<b>Director, Chief Executive, and their spouse and minor children</b>			
FARID MALIK	1	1,000	0.00
SAADIA SOHAIL RAJPUT	1	3,000	0.00
<b>Executives</b>	1	949	0.00
<b>Public Sector Companies and Corporations</b>	9	128,784,732	6.05
Banks, Development finance institutions, non-banking finance companies, insurance companies, takaful companies, and modarabas	26	36,454,746	1.71
<b>General Public</b>			
Local	11,154	139,512,942	6.56
Foreign	64	1,192,490	0.06
<b>Foreign Companies</b>	56	125,850,420	5.92
<b>Others</b>	177	76,600,889	3.60
<b>TOTALS</b>	<b>11,513</b>	<b>2,127,513,026</b>	<b>100.00</b>

Shareholders holding five percent or more voting rights in the public sector company.

STATE BANK OF PAKISTAN	1,599,845,728	75.20
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# 72<sup>nd</sup> ANNUAL GENERAL MEETING OF NATIONAL BANK OF PAKISTAN

## Form of Proxy

Folio No. \_\_\_\_\_ or CDC participant identity no. \_\_\_\_\_

CDC A/C No. \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member(s) of the National Bank of Pakistan, holding shares no. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_

also a member of the National Bank of Pakistan (Folio No. \_\_\_\_\_) or failing him/her \_\_\_\_\_

of \_\_\_\_\_ also a member of National Bank of Pakistan (Folio No. \_\_\_\_\_) as my/our Proxy to

attend the 72<sup>nd</sup> Annual General Meeting of National Bank of Pakistan, to be held at 10:30 a.m. (PST) on Monday, March 29, 2021, through electronic means and at any adjournment thereof.

Proxy's email address(for attending meeting through electronic means): \_\_\_\_\_

and mobile number: \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2021

Witnesses:

1. Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No. \_\_\_\_\_

2. Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No. \_\_\_\_\_

**Affix Revenue Stamp  
of Five Rupees**

Signature \_\_\_\_\_

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

### NOTE:

#### A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. No person shall act as a Proxy, who is not a member of the bank except that the Government of Pakistan/State Bank of Pakistan/Corporation may appoint a person who is not a member.
2. The instrument appointing a Proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than the Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a Proxy, together with the power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited with our Registrar/Transfer Agents, Messrs CDC Share Registrar Services Limited, CDC House, 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one Proxy, and more than one instruments of Proxy are deposited by a member with the Bank, all such instruments of Proxy shall be rendered invalid.

#### B. For CDC Account Holder:

1. The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
3. The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan/State Bank of Pakistan/corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with Proxy Form to the Bank.