

BUILDING RESILIENCE CREATING OPPORTUNITIES



| HALF YEARLY REPORT JUNE 2021 |



NBP

National Bank of Pakistan

نیشنل بینک آف پاکستان

CORPORATE INFORMATION

Board of Directors

Chairman	Mr. Zubyr Soomro
Directors	Mr. Farid Malik, CFA
	Mr. Tawfiq Asghar Hussain
	Mr. Imam Bakhsh Baloch
	Ms. Sadaffe Abid
	Mr. Asif Jooma
	Mr. Ahsan Ali Chughtai
President & CEO	Mr. Arif Usmani

Audit Committee

Chairman	Mr. Tawfiq Asghar Hussain
	Mr. Imam Bakhsh Baloch
	Mr. Asif Jooma

Chief Financial Officer

Mr. Abdul Wahid Sethi

Company Secretary

Syed Muhammad Ali Zamin

Auditors

PwC A.F. Ferguson & Co.
Chartered Accountants

Yousuf Adil
Chartered Accountants

Legal Advisors

Mandviwalla & Zafar
Advocates & Legal Consultants

Registered & Head Office

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

Registrar & Share Registration Office

CDC Share Registrar Services Limited
CDC House, 99-B, Block-B,
S.M.C.H.S., Main Shara-e-Faisal
Karachi-74400, Pakistan.
111-111-500

Website

www.nbp.com.pk

**NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2021**

Directors' Report to the Shareholders Standalone Financial Statements

Dear Shareholders,

We have pleasure in presenting to you, on behalf of the Board, our report on the standalone financial statements of the Bank for the half-year ended June 30, 2021.

Macroeconomic Environment

Globally, the past few months have brought positive news on the global economy, suggesting a vigorous recovery from the COVID-19 crisis. In Pakistan, the economic recovery has maintained an upward trajectory not only for FY2021 but also setting an optimistic baseline scenario for FY2022 as well. LSM production has surpassed its pre-COVID level during Jul-May FY2021. Budget-2022 targets inclusive and sustainable economic growth through pro-poor initiatives and social safety nets (Ehsaas Programme's vertical and horizontal expansion). Various measures for economic revival have been introduced such as the relief for the automobile industry, an SME Support Program, higher Federal PSDP 2021-22 and subsidies under Naya Pakistan Housing Scheme

Average inflation stood within the projected range of 8-9%. Fiscal consolidation efforts are also on track as the fiscal deficit was reduced to 4.6% of GDP (PKR 2,197 Bn) during Jul-May, FY2021, from 5.8% of GDP (PKR 2,418 Bn) last year. The current account deficit that declined by 58.4% and reached USD 1.9 Bn (-0.6% of GDP, the lowest in 10 years) during FY2021, started to widen in the second half of FY21, *and is* expected to remain within a sustainable range of 2-3% of GDP in FY22. With the widening of the current account deficit, the PKR has depreciated by around 4% during the last couple of months. While SBP's Roshan Digital Account initiative has generated financial inflows of USD 1.8 Bn, workers' remittances rose to USD 29.4 Bn (USD 23.1 Bn last year) for FY'21. SBP's FX reserves rose by USD 5.2 Bn during FY21 to end at over USD 17 Bn or around 3 months of imports, which is a 4½ year high. Monetary policy has remained accommodating as the State Bank of Pakistan has maintained the policy rate at 7.0% to support the economy. While the banking sector's profitability remained high for the half-year ended June 30, 2021, asset quality has however emerged as a growing concern and banking earnings have been reinforced by lower provisioning levels.

As a result of these developments, GDP growth is projected to rise from 3.9% in FY21 to 4-5 percent this year, and average inflation to moderate to 7-9 percent this year from its recent highs. The government's measures combined with pressures for adherence to Covid-19 SoPs by the general public will be helpful in continuation of the economic recovery along with decelerating inflationary pressures and preserving acceptable external balances.

Our Response to the Covid-19

The Board and the management of the Bank remain fully cognizant of the health and financial impact of the pandemic on the Bank, its employees, its customers and the communities it serves. From the very onset of the pandemic, your Bank has remained particularly focused on continuity of banking services to the Bank's customers while ensuring the health and safety of its frontline workforce. Constant efforts have been made to keep the maximum number of branches operational while ensuring SoPs are adhered to and necessary safety measures are effectively placed in all business premises of the Bank. In continuation of our efforts towards vaccination of all NBP employees at their doorsteps, the Bank has arranged vaccination drives for all NBP employees and their family members at the Head Office.

Financial Performance for the period ended June 30, 2021

Despite the continued challenging environment, the Bank has delivered strong financial results for the six-months period ended June 30, 2021.

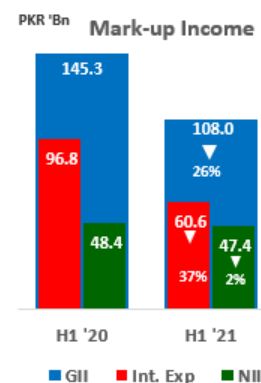
▪ Profitability (PKR 'Bn)

KPI	Jun'21	Jun'20	Better / (Worse)	
NII	47.40	48.44	(1.05)	(2.2%)
NFI	18.04	18.34	(0.30)	(1.6%)
Total Income	65.44	66.78	(1.35)	(2.0%)
Admin Expenses	30.65	29.54	(1.10)	(3.7%)
Profit Before Provisions	34.79	37.24	(2.45)	(6.6%)
Provisions and write offs – net	6.77	15.64	8.87	56.7%
Profit Before Tax	28.02	21.60	6.41	29.7%
Profit After Tax	16.97	15.19	1.77	11.7%
Earnings Per Share (Rs.)	7.97	7.14	0.83	11.7%

▪ Mark-up/Interest Income

During the period under review, the Bank earned gross mark-up/interest income of PKR 108.0 Bn (-25.7%, YoY). Performing interest-bearing assets averaged PKR 2,581.10 Bn, being marginally higher by 6.4%, YoY. The Policy rate that was 13.25% during most of H1 2020, had been reduced to 7.0% which triggered a significant YoY drop in both interest/mark-up earnings and expense.

The Bank's investment portfolio averaged PKR 1,566.45 Bn (Jun'20: PKR 1,403.68 Bn) and generated interest/mark-up income of PKR 64.10 Bn. Whereas, loans and advances portfolio averaged at PKR 965.04 Bn (Jun '20: PKR 969.12 Bn) and generated a mark-up/interest income of PKR 42.15 Bn. Average interest-bearing liabilities increased by 2.0% to PKR 2,537.18 Bn (Jun '20: PKR 2,487.17 Bn). Whereas, cost of funds closed at PKR 60.60 Bn (Jun '20: PKR 96.82 Bn (-37.4%, YoY), of which 64.5% i.e. PKR 39.10 Bn (Jun '20: PKR 61.51 Bn) was on account of profit to the depositors. Average deposits of the Bank grew by PKR 119.86 Bn or 6.2% YoY to PKR 2,057.76 Bn. However, given our efficient deposit-mix strategy, average non-interest bearing deposits increased by PKR 57.07 Bn contributing towards a drop in overall cost of deposits that reduced by 257 bps at 3.83% compared to 6.40% of the same period last year. Mark-up/interest expense incurred during the period under review on Repo transactions amounted to PKR 13.48 Bn as compared to PKR 25.81 Bn of the corresponding H1'20.

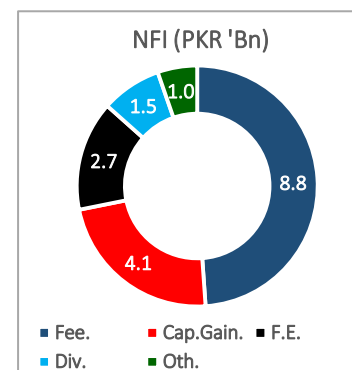


Consequently, the Bank's net mark-up/interest income closed at PKR 47.40 Bn, being 2.2% lower than PKR 48.44 Bn earned during the corresponding six-month period of 2020.

▪ Non mark-up/interest income

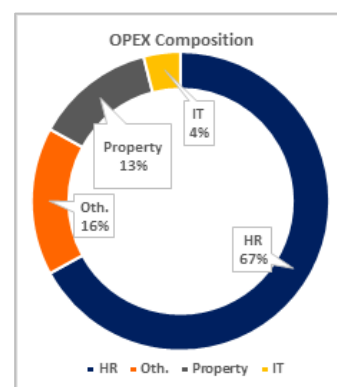
The Bank generated non mark-up income of PKR 18.04 Bn, marginally 1.6% lower YoY despite tough market conditions.

Fee & Commission Income Fee & Commission income that constitutes a major 48.9% share of the total NFI, amounted to PKR 8.8 Bn similar to PKR 8.7 Bn of 1H'20. As corporates have recently resumed dividend payout (which wasn't the case in H1 '20 as companies had resorted to retain the profits to address the risk emerging due to the onset of Covid-19), dividend income for the period increased by a 41.7% to PKR 1.46 Bn compared to PKR 1.03 Bn of H1 '20. Given the lower trade business activity in both local and foreign economies, the Bank's foreign exchange income for H1 '20 dropped by 1.5%, YoY, to PKR 2.66 Bn (Jun '20: PKR: 2.70 Bn). Effectively compensating against the shrinkages in commission based income, the Bank achieved equity gains on securities to the tune of PKR 4.14 Bn (H1 '20: PKR 3.34 Bn). Accordingly, the non-mark-up/interest income of the Bank totalled PKR 18.04 Bn, being 1.6% lower than PKR 18.34 Bn of the corresponding six-month period of prior year.



■ Expense Management

Non mark-up / interest expenses of the Bank for the period under review amounted to PKR 30.65 Bn, being 3.7% up, YoY. Given the lower total income, the Bank's cost-to-income ratio for the period slightly weakened to 46.8% as against 44.2% for the corresponding six-month period of 2020. However, expenses incurred during the period seem to be in line with the industry norms. HR compensation that accounts for around 67.0% of the total operating expenses, amounted to PKR 20.54 Bn compared to PKR 19.55 Bn for the corresponding six-month period of 2020. While Property related expenses amounted to PKR 3.96 Bn (H1 '20: PKR 3.78 Bn), IT related expenses were PKR 1.21 Bn (H1 '20: PKR 1.05 Bn). Other operating expenses remained the same with the slight increase of 0.7%.



■ Loan Losses and Provisions

Reflecting the economic environment triggered by the Covid-19 pandemic, the asset quality of the Bank has come under considerable pressure in recent months. As of June 30, 2021, NPLs of the Bank totaled PKR 184.40 Bn, being PKR 13.11 Bn or 7.7% higher than PKR 171.29 Bn at the end 2020.

The Bank prudently identified loan impairments under the expected credit loss model to buttress its balance sheet and maintained a robust level of provisions. The Bank's financial results, while these show a strong increase in earnings, they also demonstrate its resilience and ability to build necessary cushions to absorb credit losses. Accordingly, a net provision charge of PKR 6.77 Bn (Jun '20: PKR 15.64 Bn) has been created being PKR 7.08 Bn against NPLs slightly off-set by PKR 0.35 Bn of reversal against diminution in the value of investments. Consequently, the specific and general provisions held stood at PKR 162.77 Bn (Dec'20: PKR 154.15 Bn) and PKR 20.02 Bn (Dec '20: PKR 22.47 Bn), respectively. Gross NPL Ratio, Net NPL Ratio and provision coverage stood at 15.6%, 2.2% and 88.3% at the end of period under review as compared to 14.8%, 1.7% and 90.0% as of Dec 31, 2020, respectively.

■ Profit After-Taxation

The Bank has delivered an impressive 11.7% growth in profit after-tax that closed at PKR 16.97 Bn as against PKR 15.19 Bn for the corresponding six-month period of 2020. The effective tax rate rose to 39.4% vs 29.7% for the corresponding period last year. It was due to the impact of the additional 2.5% tax imposed (in the Federal Budget) on the entire income on Federal Government Securities for banks with ADR below the defined limits. This tax was previously imposed on the incremental component of income.

■ Appropriation of Profit:

Profit for the six-months ended June 30, 2021 after carry forward of accumulated profit of 2020 is proposed to be appropriated as follows:

	(PKR 'Bn)
Profit after tax for the six-months ended June 30, 2021	16.97
Un-appropriated profit brought forward	116.02
Other comprehensive income - net of tax	0.23
Transfer from surplus on revaluation of fixed assets	0.12
Profit available for appropriations	133.34
Appropriation:	
Transfer to Statutory Reserve	(1.70)
Un-appropriated profit carried forward	131.64

Financial Position as at June 30, 2021

As of June 30, 2021 total assets of the Bank amounted to PKR 3,616.89 Bn which is 20.2% above the year-end 2020 level of PKR 3,008.53 Bn. On the liability side, the Bank's balance sheet is driven by its wide market outreach and branch banking network where the focus remains on low-cost deposit mobilization.

Loans and Advances

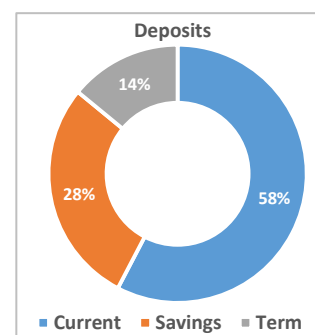
Given the limited loan demand in the private sector, gross advances of the Bank grew marginally by 1.7% to PKR 1,179.73 Bn from PKR 1,159.87 Bn as at December 31, 2020. The Bank's net advances recorded a marginal growth of 1.4% to PKR 996.95 Bn from PKR 983.25 Bn at the end 2020. The Bank is pursuing a more risk-prudent strategy for loan growth with a focus on small ticket loans to high quality borrowers in the SME sector.

Investments

Pursuant to an effective risk and liquidity management strategy, the Bank is maintaining a diversified investment portfolio across zero risk weighted instruments, high dividend yielding equities and other interest-bearing financial instruments. As of June 30, 2021, investments at cost amounted to PKR 1,820.06 Bn (Dec'20: PKR 1,437.37 Bn), whereas the carrying value amounted to PKR 1,849.47 Bn (Dec'20: PKR 1,463.40 Bn). This portfolio-mix gives the Bank flexibility to capitalise on short-term price movement by frequently churning the short-term portfolio.

Deposits & Funding

As of June 30, 2021, total deposits of the Bank were PKR 2,679.74 Bn being 10.8% higher against year-end, 2020 level of PKR 2,418.97 Bn. The vast majority of the Bank's funding comes from its core customer deposit base which has continued to grow during H1 '2021. Customer deposits pool-in 84.2% (PKR 2,255.23 Bn) of the Bank's total deposits. Compared to Dec 31, 2020 level, customer deposits have increased by PKR 234.59 Bn or 11.6%. Non-remunerative current deposits are significant at 27.6% of the total customer deposits; whereas remunerative, but low cost current accounts deposits comprised 23.5%. On a positive note, the Bank's CASA ratio also improved to 85.9% (2020: 83.8%).



The liquidity position of the Bank is supported by the presence of sizeable liquid assets in relation to deposits and borrowings. Furthermore, adequate liquidity is available through Liquidity Coverage Ratio and Net Stable Funding Ratio over the regulatory requirements as the same amounted to 158% and 282% at Jun'21, respectively vis-à-vis regulatory requirement of 100% for each.

Capital Strength and Adequacy

The Bank is currently required to maintain CET-1 Ratio at 6.0% and Total Capital Adequacy Ratio at 13.5%. At June 30, 2021 the Bank's eligible common equity Tier-1 amounted to PKR 190.5 Bn, 10.2% up against PKR 172.9 Bn at the year-end 2020. At the end June 2021, the total Risk Weighted Assets "RWAs" amounted to PKR 1,141.34 Bn (Dec '20: PKR 1,153.10 Bn). Higher profitability, coupled with reduction in the capital conservation buffer and the total RWAs has improved the Bank's tier-1 capital ratio to 16.69% (Dec '20: 14.99%) and total capital adequacy ratio to 22.18% (Dec '20: 19.78%). Both the ratios are well compliant with the regulatory requirements. Net Assets at the end June '21 stood at PKR 285.54 Bn i.e. 6.7% or PKR 18.0 Bn. This translates into break-up value per share at Rs. 134.2, depicting a 38% growth from Rs. 97.2 at the end of 2018.

Closure of foreign Subsidiaries and Branches

Necessary steps are underway to consolidate the Bank's international footprint and implement its decision on the closure of two (02) overseas subsidiaries along with three (03) overseas branches. Further the Bank's operations in Afghanistan and Bangladesh are being limited only to the branches in the capital city Kabul and Dhaka, respectively.

Internal Control & Compliance

The Bank remains committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance. To this end, the bank has supported investments in new technological platforms for effective AML/CFT/CPF controls, data accuracy and authenticity, and internal controls over financial reporting.

The international franchise of the Bank is being strategically streamlined to facilitate an enhanced level of compliance. 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 continues to undertake necessary remedial actions to address the regulatory weaknesses highlighted in the 2016 written agreement and those identified in subsequent examinations by the US regulators. However, the Bank remains vulnerable until it completes the required remedial actions and the same are endorsed by the US Regulators. These weaknesses as repeatedly pointed out by the regulators are the result of inadequate standards followed over the last decade. Changing the culture related to that will take time but our efforts are bearing fruit.

Contingency Regarding the Pension Case

Status of the case is the same as disclosed in Note # 25.3.3.1 to the Annual Financial Statements for the year ended December 31, 2020. The management's estimate of overall increase in pension liability, based on the independent actuarial firm report for the half year ended June 30, 2021 amounted to PKR 73.4 Bn, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for the year 2021 onward will also increase by PKR 7.4 Bn due to this decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been made in these unconsolidated condensed interim financial statements for the above mentioned amount as the Bank remains confident on the merits of its position in the matter. However, external auditors of the Bank have inserted an emphasis of matter para in their review report on Financial Statements.

Changes in the Board of Directors

In exercise of powers conferred under Section 11(3) (a) of the Banks (Nationalization) Act, 1974, the Federal Government has appointed Mr. Ahsan Ali Chughtai as an Independent Director on National Bank of Pakistan (NBP)'s Board for a term of three (03) years effective June 21, 2021. Mr. Muhammad Suhail Rajput resigned from the NBP Board on May 27, 2021.

Credit Ratings

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

Future Outlook

With the global economic recovery projected for 2021, economic momentum in Pakistan is also expected to improve *albeit* below the pre pandemic levels. However, some volatility may be expected amidst the recent geo-political changes in the region. While policy responses are expected to soften the blow dealt to businesses by the pandemic outbreak, these may not fully offset the effects. The State Bank of Pakistan has recently revised its projection for Pakistan's economic growth to around 5.0%.

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

Acknowledgement & Appreciation

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

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

For and on behalf of the Board of Directors

Arif Usmani
President & CEO

Zubyr Soomro
Chairman

Karachi
Dated: August 26, 2021

Independent auditors' review report to the members of National Bank of Pakistan

Report on review of unconsolidated condensed interim financial statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of National Bank of Pakistan (the Bank) as at June 30, 2021 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the unconsolidated condensed interim financial statements for the half year then ended (here-in-after referred to as the "unconsolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 22.3.3.1 to the unconsolidated condensed interim 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 against any additional pension obligation is made in the unconsolidated condensed interim financial statements. Our conclusion is not modified in respect of this matter.

Other Matter

The figures for the quarters ended June 30, 2021 and June 30, 2020 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income and figures for half year ended December 31, 2020 in unconsolidated condensed interim statement of changes in equity have not been subject to review and therefore, we do not express a conclusion thereon.

The financial statements of the Bank for the year ended December 31, 2020 and half year ended June 30, 2020 were audited and reviewed by Yousuf Adil, Chartered Accountants and Grant Thornton Anjum Rahman, Chartered Accountants, who had expressed an unmodified opinion / conclusion on those statements vide their reports dated February 25, 2021 and September 2, 2020 respectively.

The engagement partners on the engagement resulting in this independent auditor's review report are Nadeem Yousuf Adil (Yousuf Adil, Chartered Accountants) and Shahbaz Akbar (A. F. Ferguson & Co.).



Yousuf Adil
Chartered Accountants

Place: Karachi
Date: August 27, 2021



A.F. Ferguson & Co.
Chartered Accountants

Place: Karachi
Date: August 27, 2021

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

(Un-audited) (Audited)
June 30, December 31,
2021 2020
Note ----- (Rupees in '000) -----

ASSETS

Cash and balances with treasury banks	6	383,275,919	249,259,590
Balances with other banks	7	18,151,691	14,227,355
Lendings to financial institutions	8	180,790,708	126,804,675
Investments	9	1,849,466,021	1,463,398,076
Advances	10	996,947,057	983,254,527
Fixed assets	11	54,135,475	54,413,493
Intangible assets	12	249,264	303,813
Right of use assets	13	6,992,494	6,669,684
Other assets	14	126,882,753	110,195,768
		3,616,891,382	3,008,526,981

LIABILITIES

Bills payable	15	22,265,478	16,795,186
Borrowings	16	442,256,518	138,539,005
Deposits and other accounts	17	2,679,738,577	2,418,966,479
Lease liability against right of use assets	18	8,064,419	7,533,691
Deferred tax liabilities	19	2,914,515	2,978,364
Other liabilities	20	176,108,564	156,155,514
		3,331,348,071	2,740,968,239

NET ASSETS

285,543,311	267,558,742
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REPRESENTED BY

Share capital		21,275,131	21,275,131
Reserves		57,105,700	56,562,933
Surplus on revaluation of assets	21	75,521,333	73,699,344
Unappropriated profit		131,641,147	116,021,334
		285,543,311	267,558,742

CONTINGENCIES AND COMMITMENTS

22

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

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Zulfiqar Ahmad

Chairman

S. Ghani

President / CEO

[Signature]

Chief Financial Officer

Asif Javed

Director

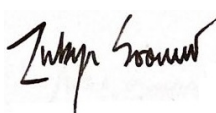
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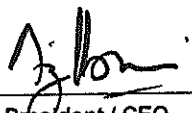
Director


NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

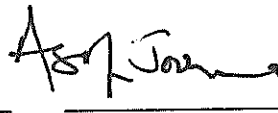
		Quarter ended		Half Year ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Note		(Rupees in '000)			
Mark-up / return / interest earned	23	59,523,706	72,721,670	107,995,528	145,258,636
Mark-up / return / interest expensed	24	33,722,402	40,852,587	60,600,289	96,815,107
Net mark-up / return / interest income		25,801,304	31,869,083	47,395,239	48,443,529
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	5,083,179	4,216,904	8,820,756	8,723,923
Dividend income		692,224	648,267	1,462,408	1,032,328
Foreign exchange income		1,750,847	1,958,625	2,659,249	2,698,964
Gain on securities - net	26	1,528,527	1,973,847	4,141,735	3,335,162
Other income	27	495,775	1,247,403	958,741	2,550,548
Total non-mark-up / interest income		9,550,552	10,045,046	18,042,889	18,340,925
Total income		35,351,856	41,914,129	65,438,128	66,784,454
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	28	16,289,344	15,719,109	30,623,671	29,250,357
Workers welfare fund		-	-	-	-
Other charges	29	21,362	14,578	24,374	293,238
Total non-markup / interest expenses		16,310,706	15,733,687	30,648,045	29,543,595
Profit before provisions		19,041,150	26,180,442	34,790,083	37,240,859
Provisions and write offs - net	30	3,660,582	11,580,825	6,772,774	15,638,432
PROFIT BEFORE TAXATION		15,380,568	14,599,617	28,017,309	21,602,427
Taxation	31	6,123,324	3,528,189	11,051,996	6,412,058
PROFIT AFTER TAXATION		9,257,244	11,071,428	16,965,313	15,190,369
(Rupees)					
Earnings per share - basic and diluted	32	4.35	5.20	7.97	7.14

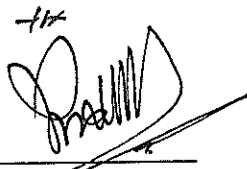
The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

Chairman

Chairman

President / CEO

President / CEO


Chief Financial Officer

Director

Director

Director

Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

	Quarter ended		Half Year ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Profit after taxation for the period	9,257,244	11,071,428	16,965,313	15,190,369
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Exchange gain / (loss) on translation of net assets of foreign branches	1,162,903	(426,528)	(1,153,764)	6,111
Movement in surplus on revaluation of investments - net of tax	5,230,861	11,326,723	1,969,638	11,303,388
	6,393,764	10,900,195	815,874	11,309,499
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	106,567	(524,237)	230,872	(657,612)
Movement in surplus on revaluation of fixed assets - net of tax	(27,490)	575,049	(27,490)	575,049
Movement in surplus on revaluation of non-banking assets - net of tax	-	1	-	1
	79,077	50,813	203,382	(82,562)
Total comprehensive income	15,730,085	22,022,436	17,984,569	26,417,306

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

Alho

Zulfiqar Ahmad

Chairman

S. Khan

President / CEO

[Signature]

Chief Financial Officer

Amy Farman

Director

[Signature]

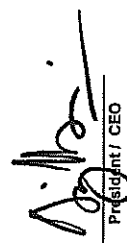
Director

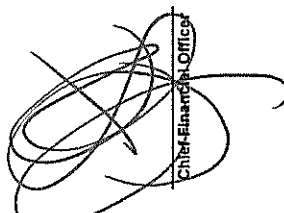
NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

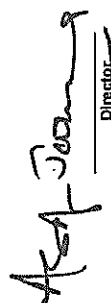
	Share capital	Reserves						Surplus on revaluation of assets			Unappropriated profit	Total
		Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets	Total		
Rupees in '000												
Balance as at January 01, 2020	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 half year ended June 30, 2020	-	-	-	-	-	-	-	-	-	-	15,190,369	15,190,369
Other comprehensive income / (loss) - net of tax	-	6,111	-	-	-	-	6,111	11,303,388	575,050	11,878,438	(657,612)	11,226,937
Transfer to statutory reserve	-	-	1,519,037	-	-	-	1,519,037	-	-	-	(1,519,037)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(113,787)	(113,787)	113,787	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at July 01, 2020	21,275,131	10,377,903	34,590,847	343,802	8,000,000	521,338	53,833,890	36,962,640	45,046,071	82,008,711	101,913,407	259,031,139
Profit after taxation for the half year ended December 31, 2020	-	-	-	-	-	-	-	-	-	-	15,368,550	15,368,550
Other comprehensive income / (loss) - net of tax	-	1,192,188	-	-	-	-	1,192,188	(8,461,370)	268,595	(8,192,775)	159,640	(6,840,947)
Transfer to statutory reserve	-	-	1,536,855	-	-	-	1,536,855	-	-	-	(1,536,855)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(116,592)	(116,592)	116,592	-
Balance as at January 01, 2021	21,275,131	11,570,091	36,127,702	343,802	8,000,000	521,338	56,562,933	28,501,270	45,198,074	73,699,344	116,021,334	267,558,742
Profit after taxation for the half year ended June 30, 2021	-	-	-	-	-	-	-	-	-	-	16,965,313	16,965,313
Other comprehensive income / (loss) - net of tax	-	(1,153,764)	-	-	-	-	(1,153,764)	1,969,638	(27,490)	1,942,148	230,872	1,019,256
Transfer to statutory reserve	-	-	1,696,531	-	-	-	1,696,531	-	-	-	(1,696,531)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(120,159)	(120,159)	120,159	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2020 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	21,275,131	10,416,327	37,824,233	343,802	8,000,000	521,338	57,105,700	30,470,908	45,050,425	75,521,333	131,641,147	285,543,311

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.


Chairman


President / CEO


Chief Financial Officer

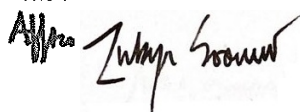

Director


Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

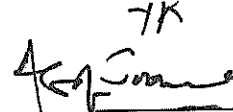
		June 30, 2021	June 30, 2020
	Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		28,017,309	21,602,427
Less: dividend income		(1,462,408)	(1,032,328)
		<u>26,554,901</u>	<u>20,570,099</u>
Adjustments:			
Depreciation on fixed assets		1,168,384	1,212,664
Depreciation on right of use assets		944,632	928,957
Amortization		101,303	94,723
Provision and write-offs - net	30	6,772,774	15,638,432
Gain on sale of fixed assets		(22,126)	(24,513)
Financial charges on leased assets		15,810	14,536
Financial charges on right-of-use-assets		424,229	378,679
Unrealized gain on revaluation of investments classified as held-for-trading		(4,770)	(71,410)
Charge for defined benefit plans - net		3,623,709	3,705,440
		<u>13,023,945</u>	<u>21,877,508</u>
		<u>39,578,846</u>	<u>42,447,607</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(54,017,110)	98,205,485
Held-for-trading securities		62,590,395	4,936,337
Advances		(20,036,204)	54,759,903
Other assets (excluding advance taxation)		(24,283,660)	(2,180,996)
		<u>(35,746,579)</u>	<u>155,720,729</u>
Increase / (decrease) in operating liabilities			
Bills payable		5,470,292	7,539,390
Borrowings from financial institutions		285,599,258	(102,913,720)
Deposits		260,772,098	141,213,574
Other liabilities (excluding current taxation)		17,268,898	(13,402,219)
		<u>569,110,546</u>	<u>32,437,025</u>
Financial charges paid		(440,039)	(393,215)
Income tax paid / adjusted	14.1	(5,529,000)	-
Benefits paid		(831,378)	(1,840,121)
		<u>566,142,396</u>	<u>228,372,025</u>
Net cash flows generated from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(369,033,467)	(203,654,179)
Net investments in held-to-maturity securities		(76,240,324)	11,758,043
Dividends received		1,605,063	595,282
Investments in fixed assets		(900,016)	(756,960)
Proceeds from sale of fixed assets		37,891	42,707
Effect of translation of net investment in foreign branches		(1,153,764)	6,111
		<u>(445,684,617)</u>	<u>(192,008,996)</u>
Net cash flows used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease obligations		(666,446)	(565,819)
Dividend paid		-	(438)
		<u>(666,446)</u>	<u>(566,257)</u>
Net cash flow used in financing activities			
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		119,791,333	35,796,772
		<u>262,243,717</u>	<u>263,754,250</u>
Cash and cash equivalents at end of the period	33	<u>382,035,050</u>	<u>299,551,022</u>

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.


Chairman


President / CEO


Chief Financial Officer


Director


Director

NATIONAL BANK OF PAKISTAN
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). The registered and head office of the Bank 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 (December 31, 2020: 1,514) branches in Pakistan and 21 (December 31, 2020: 21) overseas branches (including the Export Processing Zone branch, Karachi).

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).


Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.1.2 The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments (IAS 39): Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular No.4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards IFAS 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I) /2008 dated April 28, 2008, International Financial Reporting Standard 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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

2.1.4 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 5, dated March 22, 2019 and International Accounting Standard IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2020.

2.1.5 These unconsolidated condensed interim financial statements are the separate 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.

for 

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

3.1 Standards, interpretations of and amendments to accounting and reporting standards that are effective in the current period

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2021. These are either considered to be not relevant or do not have any significant impact on these unconsolidated condensed interim financial statements.

Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

As per the SBP's BPRD Circular Letter no. 24 dated July 05, 2021, the implementation of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 01, 2022. Meanwhile, banks are required to submit IFRS 9 compatible pro forma financial statements for the year ending December 31, 2021 and perform parallel run of IFRS 9 on quarterly basis. Further, the SBP will provide a timeline by December 2021 for absorption of "Expected Credit Loss" (ECL), for Capital Adequacy Ratio (CAR) purposes, after assessment / evaluation of pro forma financial statements. Currently, the Bank is in the process of assessing the impact of application of IFRS 9 on the Bank's financial statements on the basis of draft guidelines issued by the State Bank of Pakistan.

There are certain other new amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2022, but are considered not to be relevant or will not have significant effect on the Bank's operations and are, therefore, not detailed in these unconsolidated condensed interim financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for presentation of these unconsolidated condensed interim financial statements are same as those followed in presentation of the unconsolidated financial statements of the Bank for the year ended December 31, 2020.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2020.

6. CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency
Foreign currencies

(Un-audited)
June 30,
2021
Note ----- (Rupees in '000) -----
(Audited)
December 31,
2020

53,998,795	48,290,809
8,710,604	6,425,017
62,709,399	54,715,826

With State Bank of Pakistan in

Local currency current accounts
Foreign currency current accounts
Foreign currency deposit accounts
Foreign currency collection accounts

6.1	249,223,433	125,017,240
6.2	10,201,205	10,209,399
6.2	20,957,327	21,022,297
	1,761,887	1,618,084
	282,143,852	157,867,020

With other central banks in

Foreign currency current accounts
Foreign currency deposit accounts

6.3	26,153,643	29,581,326
6.3	3,305,698	4,789,170
	29,459,341	34,370,496

Prize bonds

8,963,327	2,306,248
383,275,919	249,259,590

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- 6.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 6.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 6.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 6.3% per annum (December 31, 2020: 0.00% to 3.5% per annum).

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
Note	----- (Rupees in '000) -----	

7. BALANCES WITH OTHER BANKS

In Pakistan

In deposit accounts

7.1	12,199	11,948
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Outside Pakistan

In current accounts

In deposit accounts

7.2	10,788,973	8,336,597
	7,350,519	5,878,810
	18,139,492	14,215,407
	18,151,691	14,227,355

- 7.1 These include various deposits with banks and carry interest at rates ranging from 2% to 7% per annum (December 31, 2020: 2% to 8% per annum).
- 7.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 1.9% per annum (December 31, 2020: 0.00% to 2.5% per annum).

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
Note	----- (Rupees in '000) -----	

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings

Repurchase agreement lendings (reverse repo)

Letters of placement

8.1	2,009,723	2,040,800
8.2	178,780,985	124,763,875
8.3	174,150	176,150
8.4	180,964,858	126,980,825
8.5	(174,150)	(176,150)
	180,790,708	126,804,675

Less: provision held against lendings to financial institutions

Lendings to financial institutions - net of provision

- 8.1 This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (December 31, 2020: Rs. 40.8 million) which is guaranteed by the SBP.
- 8.2 These carry mark-up at rates ranging from 7.0% to 7.8% per annum (December 31, 2020: 6% to 7.29% per annum) with maturities ranging from July 2, 2021 to July 15, 2021.
- 8.3 These are overdue placements and full provision has been made against these placements as at June 30, 2021.

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(Un-audited) (Audited)
June 30, December 31,
2021 2020
----- (Rupees in '000) -----

8.4 Particulars of lending

In local currency

180,964,858	126,980,825
180,964,858	126,980,825

8.5 Movement in provision held against lendings is as follows:

Opening balance
Reversal for the period
Closing balance

176,150	176,150
(2,000)	-
174,150	176,150

8.6 Securities held as collateral against lendings to financial institutions

June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total

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

Market Treasury Bills
Pakistan Investment Bonds
Total

16,651,280	-	16,651,280	91,230,121	-	91,230,121
162,129,705	-	162,129,705	33,533,754	-	33,533,754
178,780,985	-	178,780,985	124,763,875	-	124,763,875

8.6.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 178,657 million (December 31, 2020: Rs.125,094 million).

8.7 Category of classification

June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
Classified Lending	Provision held	Classified Lending	Provision held

----- Rupees in '000 -----

Domestic
Loss

174,150	174,150	176,150	176,150
---------	---------	---------	---------

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9. INVESTMENTS

9.1 Investments by type:

	June 30, 2021 (Un-audited)				December 31, 2020 (Audited)			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Held-for-trading securities								
Market Treasury Bills	31,227,096	-	7,126	31,234,222	96,157,306	-	3,529	96,160,835
Pakistan Investment Bonds	2,839,316	-	(2,356)	2,836,960	496,805	-	(1,455)	495,350
	34,066,412	-	4,770	34,071,182	96,654,111	-	2,074	96,656,185
Available-for-sale securities								
Pakistan Investment Bonds	465,084,119	-	1,504,752	466,588,871	470,136,168	-	2,776,564	472,912,732
Market Treasury Bills	909,862,752	-	395,550	910,258,302	529,397,138	-	690,816	530,087,954
Ijarah Sukuks	8,001,105	-	53,894	8,054,999	6,000,000	-	15,600	6,015,600
Ordinary shares of listed companies	31,930,641	(5,426,217)	18,826,703	45,331,127	33,237,574	(5,568,236)	20,238,444	47,907,782
Ordinary shares of unlisted companies	1,886,982	(410,893)	-	1,476,089	1,865,982	(410,893)	-	1,455,089
Preference shares	1,724,308	(539,708)	105,000	1,289,600	1,445,308	(539,708)	194,250	1,099,850
Investments in mutual funds	619,646	(41,167)	1,579,311	2,157,790	619,646	(41,167)	1,421,691	2,000,170
Ordinary shares of a bank outside Pakistan	463,294	-	23,109,746	23,573,040	463,295	-	17,189,483	17,652,778
Term Finance Certificates / Musharika	53,847,835	(5,223,729)	875,748	49,499,854	50,199,753	(5,196,406)	856,659	55,860,006
Participation Term Certificate and Sukuk Bonds	11,495,889	-	384,899	11,880,788	10,429,632	-	411,243	10,840,875
GoP Foreign Currency Bonds	785,847	-	42,719	828,566	2,795,017	-	52,159	2,847,176
Foreign Government Securities	-	-	-	-	79,438	-	1,202	80,640
Foreign Currency Debt Securities	-	-	-	-	-	-	-	-
	1,485,702,418	(11,641,714)	46,878,322	1,520,939,026	1,116,668,951	(11,756,410)	43,848,111	1,148,760,652
Held-to-maturity securities								
Pakistan Investment Bonds	193,074,385	-	-	193,074,385	168,422,981	-	-	168,422,981
Market Treasury Bills	49,136,078	-	-	49,136,078	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	415,931	(407,134)	-	8,797	414,973	(407,135)	-	7,838
Bai muajjal with Government of Pakistan	12,258,184	-	-	12,258,184	11,641,133	-	-	11,641,133
GoP Foreign Currency Bonds	2,742,447	-	-	2,742,447	-	-	-	-
Foreign Government Securities	31,421,133	-	-	31,421,133	32,328,738	-	-	32,328,738
Foreign Currency Debt Securities	608	-	-	608	618	-	-	618
	289,048,766	(407,134)	-	288,641,632	212,808,443	(407,135)	-	212,401,308
Associates	4,970,863	(3,587,603)	-	1,383,260	4,970,863	(3,821,853)	-	1,149,010
Joint Venture	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
Subsidiaries	3,906,750	(1,838,262)	-	2,068,488	3,906,750	(1,838,262)	-	2,068,488
Total investments	1,820,057,642	(17,474,713)	46,883,092	1,849,466,021	1,437,371,550	(17,823,660)	43,850,185	1,463,398,076

(Un-audited) (Audited)
June 30, December 31,
2021 2020
— (Rupees in '000) —

9.1.1 Investments given as collateral

Pakistan Investment Bonds
Market Treasury Bills

17,500,000	2,300,000
251,186,265	3,000,000
268,686,265	5,300,000

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

17,823,660 17,950,047

Charge for the period
Reversals for the period

592,843	1,164,846
(941,790)	(1,291,233)
(348,947)	(126,387)

Closing balance

17,474,713 17,823,660

9.2.2 Particulars of provision against debt securities

Category of classification

June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
NPL	Provision	NPL	Provision
— (Rupees in '000) —			

Domestic

Doubtful
Loss

-	-	119,133	59,567
5,639,627	5,630,863	5,552,738	5,543,973
5,639,627	5,630,863	5,671,871	5,603,540

9.3 The market value of securities classified as held-to-maturity as at June 30, 2021 amounted to Rs. 295,667 million (December 31, 2020: Rs. 218,678 million).

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10. ADVANCES

	Performing		Non performing		Total	
	(Un-audited) June 30, 2021	(Audited) December 31, 2020	(Un-audited) June 30, 2021	(Audited) December 31, 2020	(Un-audited) June 30, 2021	(Audited) December 31, 2020
(Rupees in '000)						
Loans, cash credits, running finances, etc.	930,999,824	931,976,385	170,855,759	160,045,212	1,101,855,583	1,092,021,597
Islamic financing and related assets	37,290,296	37,546,863	602,837	602,913	37,893,133	38,149,776
Net Investment in finance lease	52,894	58,239	-	-	52,894	58,239
Bills discounted and purchased	26,987,853	18,998,127	12,945,291	10,646,008	39,933,144	29,644,135
Advances - gross	995,330,867	988,579,614	184,403,887	171,294,133	1,179,734,754	1,159,873,747
Provision against advances						
- Specific						
- General						
Advances - net of provision						
	20,022,147	22,473,748	162,765,550	154,145,472	162,765,550	154,145,472
	20,022,147	22,473,748	162,765,550	154,145,472	182,787,697	176,619,220
	975,308,720	966,105,866	21,638,337	17,148,661	996,947,057	983,254,527

Note

10.1

10.2

10.4

10.1 Net investment in finance lease

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)				
	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	5,567	242	-	5,809	10,911	556	-	11,467
Residual value	47,166	185	-	47,351	46,535	815	-	47,350
Minimum lease payments	52,733	427	-	53,160	57,446	1,371	-	58,817
Financial charges for future periods	266	-	-	266	546	32	-	578
Present value of minimum lease payments	52,467	427	-	52,894	56,900	1,339	-	58,239

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

10.2 Particulars of advances (Gross)

	(Un-audited) June 30, 2021	(Audited) December 31, 2020	
(Rupees in '000)			
In local currency	1,097,662,164	1,071,844,946	
In foreign currencies	82,072,590	88,028,801	
	<u>1,179,734,754</u>	<u>1,159,873,747</u>	

15/11/2021

- 10.3 Advances includes Rs. 184,404 million (December 31, 2020: Rs.171,294 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Non performing loans	Provision	Non performing loans	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	1,710,549	89,161	1,617,988	45,392
Substandard	9,389,649	2,289,712	5,418,693	1,336,002
Doubtful	18,442,972	9,215,839	15,767,573	7,881,223
Loss	113,422,674	110,993,143	106,144,785	103,816,435
	142,965,844	122,587,855	128,949,039	113,079,052
Overseas				
Overdue by:				
> 365 days	41,438,043	40,177,695	42,345,094	41,066,420
	41,438,043	40,177,695	42,345,094	41,066,420
Total	184,403,887	162,765,550	171,294,133	154,145,472

10.4 Particulars of provision against advances

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
Note	(Rupees in '000)					
Opening balance	154,145,472	22,473,748	176,619,220	134,170,016	9,005,950	143,175,966
Exchange adjustments	(729,477)	(5,687)	(735,164)	1,468,169	15,535	1,483,704
Charge for the period / year	3,958,462	5,446,914	9,405,376	18,982,569	13,707,207	32,689,776
Reversals	(2,093,668)	(232,870)	(2,326,538)	(3,047,958)	(321,795)	(3,369,753)
	1,864,794	5,214,044	7,078,838	15,934,611	13,385,412	29,320,023
Amounts written off	(118,247)	-	(118,247)	(89,494)	-	(89,494)
Amounts charged off - agriculture financing	(56,950)	-	(56,950)	(193,807)	-	(193,807)
Transfer from other Assets				2,855,977	66,851	2,922,828
Transfer	7,659,958	(7,659,958)	-	-	-	-
Other movement	-	-	-	-	-	-
Closing balance	162,765,550	20,022,147	182,787,697	154,145,472	22,473,748	176,619,220

10.4.1 Particulars of provision against advances

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	122,587,855	19,750,492	142,338,347	113,079,052	22,274,089	135,353,141
In foreign currencies	40,177,695	271,655	40,449,350	41,066,420	199,659	41,266,079
	162,765,550	20,022,147	182,787,697	154,145,472	22,473,748	176,619,220

7/11/2020

10.4.2 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. 14,201 million (December 31, 2020: Rs. 17,078 million) in respect of its underperforming portfolio on prudent basis.

10.4.3 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.

10.4.4 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.

10.4.5 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.

As at June 30, 2021, 77 (December 31, 2020: 77) corporate borrowers, having aggregate outstanding exposure of Rs. 33,328 million (December 31, 2020: 145,851), have availed regulatory relief extended by SBP amounted to Rs. 23,830 million (December 31, 2020: Rs. 27,357 million).

	Note	(Un-audited) June 30, 2021 ----- (Rupees in '000) -----	(Audited) December 31, 2020 ----- (Rupees in '000) -----
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,271,909	2,154,184
Property and equipment		51,863,566	52,259,309
		<u>54,135,475</u>	<u>54,413,493</u>
11.1 Capital work-in-progress			
Civil works		2,137,505	2,040,456
Equipment		10,825	10,825
Advances to suppliers and contractors		58,733	58,733
Software implementation in progress		64,846	44,170
		<u>2,271,909</u>	<u>2,154,184</u>
		(Un-audited) June 30, 2021 ----- (Rupees in '000) -----	(Un-audited) June 30, 2020 ----- (Rupees in '000) -----
11.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress		279,595	63,802
Property and equipment			
Building on leasehold land		29,966	39,182
Furniture and fixture		331,216	251,960
Computer and peripheral equipment		150,929	58,211
Electrical, office equipment		209,551	89,896
Vehicles		17,090	167,732
		<u>738,752</u>	<u>606,981</u>
		<u>1,018,347</u>	<u>670,783</u>

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(Un-audited)	(Un-audited)
June 30,	June 30,
2021	2020
----- (Rupees in '000) -----	

11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Furniture and fixture	1,264	1,519
Vehicles	14,501	16,675
	<u>15,765</u>	<u>18,194</u>

(Un-audited)	(Audited)
June 30,	December 31,
2021	2020
----- (Rupees in '000) -----	

12. INTANGIBLE ASSETS

Computer Software

<u>249,264</u>	<u>303,813</u>
----------------	----------------

(Un-audited)	(Un-audited)
June 30,	June 30,
2021	2020
----- (Rupees in '000) -----	

12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased	<u>43,539</u>	<u>86,177</u>
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(Un-audited)	(Audited)
June 30,	December 31,
2021	2020
----- (Rupees in '000) -----	

13. RIGHT OF USE ASSETS

Balance as at January 01	6,669,684	7,221,266
Additions during the period / year	1,268,626	1,331,535
Derecognition during the period / year	(1,184)	-
Depreciation charged for the period / year	<u>(944,632)</u>	<u>(1,883,117)</u>
Balance as at	<u>6,992,494</u>	<u>6,669,684</u>

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		(Un-audited) June 30, 2021	(Audited) December 31, 2020
	Note	(Rupees in '000)	
14. OTHER ASSETS			
Income / return / mark-up accrued in local currency		39,311,352	39,642,348
Income / return / mark-up accrued in foreign currency		2,442,308	2,274,912
Advances, deposits, advance rent and other prepayments		4,930,048	2,918,231
Income tax refunds receivable & Advance taxation (payments less provisions)	14.1	18,284,894	27,183,199
Compensation for delayed tax refunds		18,438,303	17,556,551
Non-banking assets acquired in satisfaction of claims		1,248,103	1,255,834
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Commission receivable on Government treasury transactions		8,868,216	4,612,174
Stationery and stamps on hand		536,768	499,511
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
Receivable against sale of shares		61,498	88,996
Acceptances		33,943,496	15,741,754
Others		6,836,606	6,437,628
		136,047,420	119,356,966
Less: Provision held against other assets	14.2	11,877,162	11,873,693
Other assets (net of provision)		124,170,258	107,483,273
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,712,495	2,712,495
Other assets - total		126,882,753	110,195,768
14.1	During the period Rs. 2,629 million were adjusted against income tax refunds towards payment of advance tax liability.		
14.2 Provision held against other assets			
Income / mark-up accrued in local currency		152,607	152,607
Advances, deposits, advance rent and other prepayments		837,949	837,949
Stationery and stamps on hand		96,542	96,542
Barter trade balances		195,399	195,399
Receivable on account of Government transactions		323,172	323,172
Receivable from Government under VHS scheme		418,834	418,834
Protested bills		4,114,470	4,092,280
Ex-MBL / NDFC - other assets		770,398	770,398
Assets Acquired from corporate and industrial restructuring corporation asset (CIRC).		208,423	208,423
Others		4,759,368	4,778,089
		11,877,162	11,873,693
14.2.1 Movement in provision held against other assets			
Opening balance		11,873,693	10,853,587
Charge for the year		22,189	1,517,709
Transfer in		-	(484,393)
Adjustment against provision		(18,720)	(13,210)
Closing balance		11,877,162	11,873,693
15. BILLS PAYABLE			
In Pakistan		22,230,991	16,718,064
Outside Pakistan		34,487	77,122
		22,265,478	16,795,186

(Un-audited) (Audited)
June 30, December 31,
2021 2020
----- (Rupees in '000) -----

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme	6,101,982	2,451,874
Under Export Refinance Scheme (New Scheme)	25,416,900	28,686,149
Financing Scheme for Renewable Energy	780,721	481,261
Refinance Facility for Modernization of SMEs	-	177,976
Financing Facility for storage of Agriculture Produce (FFSAP)	638,890	256,184
Under Long-Term Financing Facility (LTFF)	17,317,119	16,380,117
Refinance Scheme for Payment of Wages and Salaries	915,173	1,167,527
Temporary Economic Refinance Facility	6,228,564	537,912
Refinance Facility for Combating Covid-19	54,620	61,448
	57,453,969	50,200,448
Repurchase agreement borrowings	268,686,264	5,266,007
Bai Muajjal	94,714,002	79,788,522
	420,854,235	135,254,977

Unsecured

Call borrowings	18,865,920	2,047,588
Overdrawn nostro accounts	2,536,363	1,236,440
	21,402,283	3,284,028
	442,256,518	138,539,005

16.1 Particulars of borrowings with respect to currencies

In local currency	423,390,598	136,491,430
In foreign currencies	18,865,920	2,047,575
	442,256,518	138,539,005

16.2 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 of 3.0% per annum (December 31, 2020: of 3.00%).
- Repurchase agreement borrowings carry mark-up ranging from 6.8% to 7.1% per annum (December 31, 2020: 7% to 7.05% per annum) having maturities ranging from July 2, 2021 to July 15, 2021.
- Call borrowings carry interest ranging from 0% to 2.5% per annum (December 31, 2020: 0% to 2% per annum).

16.3 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.

16.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5 -10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 268,686 million (December 31, 2020: Rs. 5,300 million).

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17. DEPOSITS AND OTHER ACCOUNTS

June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)					

Customers

Current deposits - remunerative	529,642,911	-	529,642,911	405,738,851	-	405,738,851
Current deposits - non-remunerative	498,168,014	124,252,003	622,420,017	433,284,063	115,191,412	548,475,475
Savings deposits	664,834,637	73,132,624	737,967,261	637,694,450	66,126,336	703,820,786
Term deposits	289,101,933	64,618,454	353,720,387	276,454,916	81,153,488	357,608,404
Others	11,478,079	4,184	11,482,263	4,683,735	316,040	4,999,775
	1,993,225,574	262,007,265	2,255,232,839	1,757,856,015	262,787,276	2,020,643,291

Financial Institutions

Current deposits	392,022,012	1,191,261	393,213,273	360,581,882	1,634,466	362,216,348
Savings deposits	19,827,954	-	19,827,954	4,253,051	3,246,855	7,499,906
Term deposits	5,689,470	4,382,485	10,071,955	12,613,687	8,883,345	21,497,032
Others	1,390,813	1,743	1,392,556	7,109,902	-	7,109,902
	418,930,249	5,575,489	424,505,738	384,558,522	13,764,666	398,323,188
	2,412,155,823	267,582,754	2,679,738,577	2,142,414,537	276,551,942	2,418,966,479

- 17.1 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 65,366 million (December 31, 2020: Rs.73,145 million).

(Un-audited) June 30, 2021	(Audited) December 31, 2020
(Rupees in '000)	

18. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

Lease liabilities included in the statement of financial position

8,064,419	7,533,691
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Of which are:

Current lease liability

1,494,368 1,367,840

Non-current lease liability

6,570,051 6,165,851

8,064,419 7,533,691

Maturity analysis - contractual undiscounted cash flows

Less than one year

2,168,117 2,315,989

One to five years

6,230,126 5,869,956

More than five years

6,109,012 5,839,515

Total undiscounted lease liabilities

14,507,255 14,025,460

17/11/20

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
Note	----- (Rupees in '000) -----	

19. DEFERRED TAX LIABILITIES

Deductible temporary differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loans and advances
- Provision against off-balance sheet obligations
- Accelerated tax depreciation
- Other provisions
- Right of use assets

10,705	10,705
3,996,539	4,120,855
236,751	236,751
9,953,615	9,084,601
115,222	115,222
1,076,307	1,136,458
105,416	105,416
375,174	-
15,869,729	14,810,008

Taxable temporary differences on

- Surplus on revaluation of fixed assets
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets

(2,332,118)	(2,396,819)
(16,407,413)	(15,346,840)
(44,713)	(44,713)
(18,784,244)	(17,788,372)
(2,914,515)	(2,978,364)

20. OTHER LIABILITIES

- Mark-up / return / interest payable in local currency
- Mark-up / return / interest payable in foreign currencies
- Unearned commission and income on bills discounted
- Accrued expenses
- Advance payments
- Unclaimed dividends
- Unrealized loss on forward foreign exchange contracts
- Unrealized loss on put option
- Branch adjustment account
- Employee benefits:
- Pension fund
- Post retirement medical benefits
- Benevolent fund
- Gratuity scheme
- Compensated absences
- Staff welfare fund
- Liabilities relating to Barter trade agreements
- Provision against off-balance sheet obligations
- Provision against contingencies
- Payable to brokers
- PIBs short selling
- Acceptances
- Others

20.1

38,258,276	37,808,884
823,639	844,452
952,879	1,574,563
15,857,488	18,183,815
367,074	362,466
185,516	185,516
1,758,364	2,918,017
306,339	306,339
549,930	917,487
15,386,447	15,704,077
23,231,252	22,282,747
1,995,997	2,054,218
2,920,021	2,711,914
9,628,206	9,251,755
371,257	371,257
2,151,891	2,142,033
627,494	627,494
4,302,764	4,180,071
135,739	65,137
7,668,582	3,237,676
33,943,496	15,741,754
14,685,913	14,683,842
176,108,564	156,155,514

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20.1 Litigation related to management trainee program

This has been explained in note 25.3.3.3 to the unconsolidated financial statement for the year ended December 31, 2020. Subsequently, the Bank has entered into out of court settlements 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. Such out of court settlements were undertaken with the vast majority of the non petitioners in addition to the petitioners. The Bank is now in the process of complying with court orders of the various High Courts where the cases have attained finality and is undertaking payments to the petitioners (who did not avail the out of court settlement) as per the court orders. The management expects that the issue of Non MTOs will be resolved to a large extent, by the end of 2021.

		(Un-audited) June 30, 2021	(Audited) December 31, 2020
	Note	Rupees in '000	
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of			
- Available-for-sale securities	9.1	46,878,322	43,848,111
- Fixed assets		44,670,048	44,882,399
- Non-banking assets		2,757,207	2,757,207
		<u>94,305,577</u>	<u>91,487,717</u>
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(16,407,413)	(15,346,840)
- Fixed assets		(2,332,118)	(2,396,820)
- Non-banking assets		(44,713)	(44,713)
		<u>(18,784,244)</u>	<u>(17,788,373)</u>
		<u>75,521,333</u>	<u>73,699,344</u>
22. CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	205,604,863	206,831,672
Commitments	22.2	1,878,354,622	1,417,860,011
Other contingent liabilities	22.3	35,332,283	34,820,672
		<u>2,119,291,768</u>	<u>1,659,512,355</u>
22.1 Guarantees			
Financial guarantees		174,646,152	137,366,954
Performance guarantees		30,958,711	69,464,718
		<u>205,604,863</u>	<u>206,831,672</u>
22.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,346,846,695	970,274,317
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	527,670,059	419,327,735
- forward government securities transactions	22.2.2	2,970,040	27,625,340
Commitments for acquisition of:			
- operating fixed assets		867,828	632,619
Other commitments	22.2.3	-	-
		<u>1,878,354,622</u>	<u>1,417,860,011</u>

115 A/11/20

(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----	

22.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	325,596,087	272,245,550
Sale	202,073,972	147,082,185
	<u>527,670,059</u>	<u>419,327,735</u>

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated condensed interim 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.

(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----	

22.2.2 Commitments in respect of forward government securities transactions

Purchase	1,725,502	496,331
Sale	1,244,538	27,129,009
	<u>2,970,040</u>	<u>27,625,340</u>

22.3 Other contingent liabilities

22.3.1 Claim against the Bank not acknowledged as debt	<u>35,332,283</u>	<u>34,820,672</u>
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Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (December 31, 2020: Rs.1,597 million).

22.3.2 Taxation

As at June 30, 2021, the status of tax contingencies disclosed in the annual unconsolidated financial statements for the year ended December 31, 2020 is same, other than the following significant developments and additions:

- The taxation officer has passed assessment order for tax year 2020 on May 31, 2021. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax effect of Rs. 5.92 billion arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.
- PRA through their Order in the appeal Ref: 90/2019 dated 6th February, 2021 re-initiated the proceeding and passed an Order bearing No. NBP/2016/IV/2021 dated 08-01-2021 u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) wherein the demand was reduced to Rs. 330,942,466/- along with penalty amounting to Rs. 16,547,124/- under section 48 and default surcharge (to be calculated at the time of payment) under section 49 of the Act was raised. Against this Order, the Bank has filed an Appeal before the Commissioner (Appeals), PRA on various legal and factual grounds, including alleged levy of Punjab Sales Taxes on Consolidated Pan Pakistan figure. The Bank's tax advisor is confident that the ultimate outcome is expected to be in the Bank's favour.
- The Additional Commissioner, PRA has passed an Order bearing No. NBP/WH/2017-2018/ADC-IV/2021 dated 22-01-2021 u/s 52 of the Act regarding Non withholding of Punjab Sales Tax on Services of certain expenses confronted for the Tax Periods from January-2017 to December-2018 wherein the demand of Rs. 1,263,372,788/- along with penalty amounting to Rs. 1,263,372,788/- under section 48 and default surcharge (to be calculated at the time of payment) under section 49 of the Act was raised. Against this Order, the Bank has filed an Appeal before the Commissioner (Appeals), PRA on various legal and factual grounds, including alleged levy of Punjab Sales Taxes on Consolidated Pan Pakistan figure. The Bank's tax advisor is confident that the ultimate outcome is expected to be in the Bank's favour.

17/11/21

- d) The Additional Commissioner, PRA has passed an order bearing No. NBP/WH/INSURANCE/ADC-IV/2021 dated 08-01-2021 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. 254,734,973/- and Rs. 281,774,950/- 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 amounting to Rs. 198,113,458/- and Rs. 231,089,190/- respectively. The net exposure after rectification would result in Rs. 56,621,515/- and Rs. 50,685,760/- respectively. The Bank is contesting the aforesaid order passed by Additional Commissioner, before the Commissioner (Appeals), PRA wherein apart from other Grounds, the main plea has been raised that Punjab Sales Tax should not be pressed from the Bank when the applicable Sindh Sales Tax on the insurance services has duly been paid in to Sindh Government Treasury and any claim of Punjab Sales Tax on the same transaction can only be recouped from Sindh Revenue Board as inter-provincial adjustment. Based on the legal and factual position, the Bank's tax advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor.
- e) The Additional Commissioner, PRA passed an Order bearing No. NBP/2012-2016/IV/2021 dated 27-01-2021 u/s 52 of the Act regarding Non withholding of Punjab Sales Tax on Services of certain registered vendors for the Tax Periods from January-2012 to December-2016 wherein the demand of Rs. 20,520,783/- along with penalty amounting to Rs. 20,520,783/- under section 48 and default surcharge (to be calculated at the time of payment) under section 49 of the Act was raised. Against this Order, the Bank filed an Appeal before the Commissioner (Appeals), PRA wherein apart from the time limitation matter pertaining to tax periods from January-2012 to June-2015, certain factual aspect including non-applicability of withholding sales tax on Punjab is being contested. The ultimate outcome is expected to be in the Bank's favour.

22.3.3 Contingencies in respect of employees benefits and related matters

As at June 30, 2021, the status of contingencies disclosed in the annual unconsolidated financial statements for the year ended December 31, 2020 is same, other than the following significant developments:

22.3.3.1 Pensionary benefits to retired employees

This has been explained in note 25.3.3.1 to the unconsolidated financial statements for the year ended December 31, 2020. The management's estimate of overall increase in pension liability, based on the independent actuarial firm report for the year ended December 31, 2020 amounted to Rs. 73.4 billion, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for year 2020 onward will also increase by Rs. 7.4 billion due to this decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been made in these unconsolidated condensed interim financial statements for the above mentioned amount as the Bank is confident about a favorable outcome on the matter.

22.3.3.2 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing

The current status of these contingencies is same as disclosed in the annual unconsolidated financial statements of the Bank for the year ended December 31, 2020.

22.3.4 Compliance and risk matters relating to anti-money laundering at the New York Branch

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 continues to undertake necessary remedial actions to address the regulatory weaknesses highlighted in the 2016 written agreement and those identified in subsequent examinations by the US regulators. However, the Bank remains vulnerable until it completes the required remedial actions and the same are endorsed by the US Regulators.

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		(Un-audited) For the half year ended June 30, 2021	(Un-audited) June 30, 2020
		(Rupees in '000)	
Note			
23.	MARK-UP / RETURN / INTEREST EARNED		
	Loans and advances	42,147,757	57,555,424
	Investments	64,095,157	85,424,166
	On securities purchased under resale agreements	1,088,405	1,424,775
	Balances with other banks	664,209	854,271
		<u>107,995,528</u>	<u>145,258,636</u>
24.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	39,100,848	61,505,511
	Borrowings	3,346,442	4,604,262
	Cost of foreign currency swaps against foreign currency deposits	4,243,818	4,514,336
	Finance charge on lease liability against right of use assets	424,229	378,679
	Securities sold under repurchase agreements	<u>13,484,952</u>	<u>25,812,319</u>
		<u>60,600,289</u>	<u>96,815,107</u>
25.	FEE AND COMMISSION INCOME		
	Branch banking customer fees	833,992	836,256
	Consumer finance related fees	425,873	297,643
	Card related fees	905,839	538,744
	Credit related fees	99,512	88,373
	Investment banking fees	543,347	202,852
	Commission on trade	1,080,625	1,018,075
	Commission on guarantees	193,175	249,173
	Commission on cash management	40,809	1,444
	Commission on remittances including home remittances	547,416	410,472
	Commission on bancassurance	141,833	93,815
	Commission on government transactions	3,981,415	4,894,601
	Others	26,920	92,475
		<u>8,820,756</u>	<u>8,723,923</u>
26.	GAIN ON SECURITIES - NET		
	Realized	26.1 4,136,965	3,263,752
	Unrealized - held-for-trading	9.1 4,770	71,410
		<u>4,141,735</u>	<u>3,335,162</u>
26.1	Realized gain on		
	Federal Government Securities	335,792	2,570,855
	Shares	3,667,389	273,455
	Ijarah Sukuks	10,809	-
	Foreign Securities	122,975	419,442
		<u>4,136,965</u>	<u>3,263,752</u>
27.	OTHER INCOME		
	Rent on property	26,560	14,456
	Gain on sale of fixed assets - net	22,126	24,513
	Compensation for delayed tax refunds	27.1 881,752	2,376,094
	Remittances expense reimbursed by SBP	-	112,861
	Others	28,303	22,624
		<u>958,741</u>	<u>2,550,548</u>
27.1	This represents compensation on delayed refunds determined under Section 171 of Income Tax Ordinance 2001.		

15

(Un-audited) (Un-audited)
For the half year ended
June 30, 2021 June 30, 2020
----- (Rupees in '000) -----

28. OPERATING EXPENSES

Total compensation expenses

20,536,243 19,545,965

Property expenses

Rent and taxes
Insurance
Utilities cost
Security (including guards)
Repair and maintenance (including janitorial charges)
Depreciation
Depreciation on non banking assets
Depreciation on Ijarah assets
Depreciation on right of use assets

388,909	199,619
17,066	17,066
562,805	553,492
1,343,068	1,329,440
419,562	476,991
241,229	213,641
7,731	7,892
38,356	49,107
944,632	928,957
3,963,358	3,776,205

Information technology expenses


Software maintenance
Hardware maintenance
Depreciation
Amortization
Network charges
IT Manage Services

605,683	525,117
13,949	5,844
136,773	101,315
101,303	94,723
231,151	195,914
118,244	123,365
1,207,103	1,046,278

Other operating expenses

Directors' fees and reimbursement of other expenses
Fees and allowances to Shariah Board
Legal and professional charges
Outsourced services costs
Travelling and conveyance
NIFT clearing charges
Depreciation
Training and development
Postage and courier charges
Communication
Stationery and printing
Marketing, advertisement and publicity
Contributions for other Corporate and Social Responsibility
Auditors' remuneration
Entertainment
Clearing, verification, license fee charges
Brokerage
Financial charges on leased assets
Insurance
Vehicle expenses
Repairs and maintenance
Deposit premium expense
Others

11,497	22,459
4,990	4,442
430,100	343,777
347,179	384,487
281,474	210,024
82,707	69,518
744,295	840,709
20,672	28,803
106,902	124,413
148,388	142,167
680,107	505,524
97,343	78,857
6,201	85,447
101,402	120,847
110,836	114,697
155,375	168,659
74,934	48,563
15,810	14,536
187,944	357,933
109,188	81,717
227,965	213,961
785,553	687,318
186,105	233,051
4,916,967	4,881,909
30,623,671	29,250,357

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		(Un-audited) For the half year ended June 30, 2021	(Un-audited) June 30, 2020
Note		----- (Rupees in '000) -----	
29. OTHER CHARGES			
	Penalties imposed by State Bank of Pakistan	24,374	293,155
	Penalties imposed by other regulatory bodies (Central bank of international branches)	-	83
		<u>24,374</u>	<u>293,238</u>
30. PROVISIONS AND WRITE OFFS - NET			
	Provisions for diminution in value of investments	9.2 (348,947)	696,898
	Provisions against loans and advances	10.4 7,078,838	14,322,889
	Provision against other assets	42,883	618,645
		<u>6,772,774</u>	<u>15,638,432</u>
31. TAXATION			
	Current	12,300,733	12,316,643
	Deferred	(1,248,737)	(5,904,585)
		<u>11,051,996</u>	<u>6,412,058</u>
32. EARNINGS PER SHARE - BASIC AND DILUTED			
	Profit for the period (Rupees in 000's)	<u>16,965,313</u>	<u>15,190,369</u>
	Weighted average number of ordinary shares (in 000's)	<u>2,127,513</u>	<u>2,127,513</u>
	Earnings per share - basic and diluted (Rupees)	<u>7.97</u>	<u>7.14</u>
		(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
		----- (Rupees in '000) -----	
33. CASH AND CASH EQUIVALENTS			
	Cash and balances with treasury banks	383,275,919	286,488,752
	Balances with other banks	18,151,691	32,351,978
	Call money lendings	2,009,723	3,140,800
	Call money borrowings	(18,865,920)	(14,171,414)
	Overdrawn nostro	(2,536,363)	(8,259,094)
		<u>382,035,050</u>	<u>299,551,022</u>
34. FAIR VALUE MEASUREMENTS			
	The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.		
	The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.		

47 AM

34.1 Fair value of financial assets

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

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

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

June 30, 2021 (Un-audited)					
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	941,492,524	-	941,492,524	-	941,492,524
Pakistan Investment Bonds	469,425,831	-	469,425,831	-	469,425,831
Ijarah Sukuks	8,054,999	-	8,054,999	-	8,054,999
Ordinary shares of listed companies	45,331,127	45,331,127	-	-	45,331,127
Preference shares	1,010,600	1,010,600	-	-	1,010,600
Investments in mutual funds	2,157,790	-	2,157,790	-	2,157,790
Term Finance Certificates / Musharika and Sukuk Bonds	49,499,854	6,285,000	43,214,854	-	49,499,854
GoP Foreign Currency Bonds	11,880,788	-	11,880,788	-	11,880,788
Foreign Government Securities	828,566	-	828,566	-	828,566
Foreign Currency Debt Securities	-	-	-	-	-
Ordinary shares of a bank outside Pakistan	23,573,040	23,573,040	-	-	23,573,040
	1,553,255,119	76,199,767	1,477,055,352	-	1,553,255,119
Financial assets - disclosed but not measured at fair value					
Pakistan Investment Bonds	193,074,385	-	194,380,784	-	194,380,784
Market Treasury Bills	49,136,078	-	49,176,750	-	49,176,750
GoP Foreign Currency Bonds	2,742,447	-	2,777,878	-	2,777,878
Foreign Government Securities	31,421,133	-	36,656,970	-	36,656,970
Foreign Currency Debt Securities	608	-	609	-	609
Associates	1,383,260	903,020	502,916	-	1,405,936
	277,757,911	903,020	283,495,907	-	284,398,927
	1,831,013,030	77,102,787	1,760,551,259	-	1,837,654,046
Off-balance sheet financial instruments - measured at fair value					
Commitments					
Foreign exchange contracts purchase and sale	527,670,059	-	(1,758,364)	-	(1,758,364)
Forward government securities transactions	2,970,040	-	1,390	-	1,390

for All

December 31, 2020 (Audited)

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	626,248,789	-	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	70,940,410	1,173,021,339	-	1,243,961,749

Financial assets - disclosed but not measured at fair value

Pakistan Investment Bonds	168,422,981	-	171,507,188	-	171,507,188
Foreign Government Securities	32,328,738	-	37,064,275	-	37,064,275
Foreign Currency Debt Securities	618	-	618	-	618
Associates	1,149,010	670,335	478,688	-	1,149,023
	201,901,347	670,335	209,050,769	-	209,721,104
	1,445,863,096	71,610,745	1,382,072,108	-	1,453,682,853

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

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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
Mutual Funds	MUFAP
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

34.2 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:

June 30, 2021 (Un-audited)				
Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Land and building (property and equipment)	48,560,413	-	-	48,560,413
Non-banking assets acquired in satisfaction of claims	3,960,598	-	-	3,960,598
	52,521,011	-	-	52,521,011

December 31, 2020 (Audited)				
Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Land & building (property and equipment)	48,764,139	-	-	48,764,139
Non-banking assets acquired in satisfaction of claims	3,968,329	-	-	3,968,329
	52,732,468	-	-	52,732,468

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35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Half year ended June 30, 2021 (Un-audited)

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Financial Institution and Remittance	Head Office / Others	Sub total	Eliminations	Total
(Rupees in '000)									
Profit and loss account									
Net mark-up / return / interest income / (expense)	(25,875,488)	7,988,828	13,732,637	47,451,761	1,530,097	2,567,404	47,395,239	-	47,395,239
Inter segment revenue - net	49,779,122	(6,551,100)	(12,140,047)	(38,828,882)	-	7,740,907	-	-	-
Non mark-up / return / interest income	6,561,353	179,407	2,202,382	7,380,652	656,787	1,062,308	18,042,889	-	18,042,889
Total income	30,464,987	1,617,135	3,794,972	16,003,531	2,186,884	11,370,619	65,438,128	-	65,438,128
Segment direct expenses	14,850,830	1,423,743	530,334	189,565	2,677,435	1,562,332	21,234,239	-	21,234,239
Inter segment expense allocation	-	-	-	-	-	9,413,806	9,413,806	-	9,413,806
Total expenses	14,850,830	1,423,743	530,334	189,565	2,677,435	10,976,138	30,648,045	-	30,648,045
Provisions and write offs - net	513,453	702,332	5,613,240	(142,019)	(64,910)	150,678	6,772,774	-	6,772,774
Profit / (loss) before taxation	15,100,704	(508,940)	(2,348,602)	15,955,985	(425,641)	243,803	28,017,309	-	28,017,309

June 30, 2021 (Un-audited)

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Financial Institution & Remittance	Head Office / Others	Sub total	Eliminations	Total
(Rupees in '000)									
Statement of financial position									
Cash and balances with treasury and other banks	183,801,762	16,200,897	253,563	147,231,365	46,306,956	7,633,067	401,427,610	-	401,427,610
Investments	-	-	23,599,717	1,729,320,509	46,873,542	49,572,253	1,849,466,021	-	1,849,466,021
Net inter segment lending	1,917,300,666	-	-	-	-	223,331,588	2,140,632,254	(2,140,632,254)	-
Lendings to financial institutions	-	-	-	180,790,708	-	-	180,790,708	-	180,790,708
Advances - performing	180,978,967	196,132,404	533,592,010	-	40,634,547	43,992,939	995,330,867	-	995,330,867
Advances - non-performing	4,176,740	19,115,630	54,690,053	-	41,438,043	64,983,421	184,403,887	-	184,403,887
Provision against Advances	(8,840,017)	(17,273,109)	(52,713,123)	-	(40,449,350)	(63,512,098)	(182,787,697)	-	(182,787,697)
Advances - Net	176,315,690	197,974,925	535,568,940	-	41,623,240	45,464,262	996,947,057	-	996,947,057
Others	28,319,810	2,539,239	42,060,287	289,224	4,271,963	110,779,463	188,259,986	-	188,259,986
Total assets	2,305,737,928	216,715,061	601,582,507	2,057,631,806	139,075,701	436,780,633	5,757,523,636	(2,140,632,254)	3,616,891,382
Borrowings	-	3,930,849	53,523,120	365,936,629	18,865,920	-	442,256,518	-	442,256,518
Deposits and other accounts	2,256,866,421	-	271,560,666	-	65,365,577	85,945,913	2,679,738,577	-	2,679,738,577
Net inter segment borrowing	-	208,528,487	239,339,987	1,634,762,341	52,005,988	5,995,451	2,140,632,254	(2,140,632,254)	-
Others	48,871,507	4,255,725	36,914,841	10,969,312	2,410,598	105,930,993	209,352,976	-	209,352,976
Total liabilities	2,305,737,928	216,715,061	601,338,614	2,011,668,282	138,648,083	197,872,357	5,471,980,325	(2,140,632,254)	3,331,348,070
Equity	-	-	243,893	45,963,524	427,618	238,908,276	285,543,311	-	285,543,311
Total equity and liabilities	2,305,737,928	216,715,061	601,582,507	2,057,631,806	139,075,701	436,780,633	5,757,523,636	(2,140,632,254)	3,616,891,382
Contingencies and commitments	-	68,697,728	1,464,614,971	527,670,058	22,008,506	36,300,505	2,119,291,768	-	2,119,291,768

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Half year ended June 30, 2020 (Un-audited)

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Sub total	Eliminations	Total
(Rupees in '000)									
Net mark-up / return / interest income / (expense)	(53,526,630)	12,217,805	29,191,240	56,471,599	1,421,496	2,668,021	48,443,529	-	48,443,529
Inter segment revenue - net	80,335,272	(10,991,897)	(25,845,882)	(47,459,964)	-	3,962,471	-	-	-
Non mark-up / return / interest income	6,546,092	727,352	1,176,239	6,117,275	1,140,994	2,632,973	18,340,925	-	18,340,925
Total income	33,354,733	1,953,260	4,521,596	15,128,910	2,562,490	9,263,465	66,784,454	-	66,784,454
Segment direct expenses	13,429,028	1,327,737	372,501	159,110	2,372,982	1,312,038	18,973,396	-	18,973,396
Inter segment expense allocation	-	-	-	-	-	10,570,199	10,570,199	-	10,570,199
Total expenses	13,429,028	1,327,737	372,501	159,110	2,372,982	11,882,237	29,543,595	-	29,543,595
Provisions and write offs - net	233,214	5,845,927	8,712,389	399,501	(266,258)	713,659	15,638,432	-	15,638,432
Profit / (loss) before taxation	19,692,491	(5,220,404)	(4,563,294)	14,570,299	455,766	(3,332,431)	21,602,427	-	21,602,427

Profit and loss account

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

December 31, 2020 (Audited)

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Sub total	Eliminations	Total
(Rupees in '000)									
Cash and balances with treasury and other banks	150,000,222	9,809,667	281,210	49,710,033	47,960,766	5,725,047	263,486,945	-	263,486,945
Investments	-	-	31,393,587	1,340,556,530	46,098,046	45,349,914	1,463,398,077	-	1,463,398,077
Net inter segment lending	1,716,041,623	-	-	-	-	192,585,019	1,908,626,642	(1,908,626,642)	-
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	45,722,047	988,579,614	-	988,579,614
- non-performing	4,007,870	22,497,098	47,548,441	-	42,345,094	54,895,629	171,294,133	-	171,294,133
Provision against Advances	(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(55,316,638)	(176,619,220)	-	(176,619,220)
Advances - net	227,645,519	131,299,642	534,295,432	-	44,712,896	45,301,038	983,254,527	-	983,254,527
Others	24,462,197	1,626,569	22,588,501	366,297	3,972,925	118,566,269	171,582,758	-	171,582,758
Total assets	2,118,149,561	142,735,878	588,558,730	1,517,434,885	142,744,633	407,529,936	4,917,153,624	(1,908,626,642)	3,008,526,981

Statement of financial position

Cash and balances with treasury and other banks
Investments
Net inter segment lending
Lendings to financial institutions
Advances - performing
- non-performing
Provision against Advances
Advances - net
Others
Total assets

	Borrowings	Deposits and other accounts	Net inter segment borrowing	Others	Total liabilities	Equity	Total equity and liabilities
Borrowings	-	-	-	-	-	-	-
Deposits and other accounts	2,070,445,603	200,011,969	73,225,543	75,283,364	2,418,966,479	-	2,418,966,479
Net inter segment borrowing	-	136,108,152	1,375,268,749	63,868,561	1,908,626,642	(1,908,626,642)	-
Others	47,703,958	3,115,875	17,857,441	12,387,953	183,462,755	-	183,462,755
Total liabilities	2,118,149,561	142,735,878	588,346,040	1,473,947,685	4,649,594,881	(1,908,626,642)	2,740,968,239
Equity	-	-	212,690	43,487,200	267,558,743	-	267,558,743
Total equity and liabilities	2,118,149,561	142,735,878	588,558,730	1,517,434,885	4,917,153,624	(1,908,626,642)	3,008,526,981
Contingencies and commitments	557,277,573	-	1,046,103,666	20,577,429	35,553,685	-	1,659,512,355

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36. 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 9 of the unconsolidated condensed interim financial statement of the Bank.

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

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

	June 30, 2021 (Un-audited)										December 31, 2020 (Audited)									
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
(Rupees in '000)																				
Balances with other banks																				
In current accounts																				
	-	-	-	-	404,658	-	-	-	-	-	-	-	-	-	-	2,951	-	-	-	-
	-	-	-	-	404,658	-	-	-	-	-	-	-	-	-	-	2,951	-	-	-	-
Advances																				
Opening balance	-	233,267	359,565	2,981,029	-	-	-	-	-	305,117	-	228,805	414,565	3,046,682	-	-	-	-	-	23,386,325
Addition during the year	-	114,534	-	-	-	-	-	-	-	33,294,415	-	64,850	-	-	-	-	-	-	-	115,824,347
Repaid during the year	-	(25,915)	(58,000)	(15,625)	-	-	-	-	-	(33,351,612)	-	(31,640)	(55,000)	(65,633)	-	-	-	-	-	(115,673,058)
Transfer in / (out) - net*	-	(70,438)	-	-	-	-	-	-	-	(6)	-	(28,548)	-	-	-	-	-	-	-	(23,232,497)
Closing balance	-	251,448	301,565	2,965,404	-	-	-	-	-	247,914	-	233,267	359,565	2,981,029	-	-	-	-	-	305,117
Provisions against loans																				
			251,565	2,837,287									251,565	2,837,287						
Other Assets																				
Interest / mark-up accrued	-	-	242,808	1,719,988	-	-	-	-	-	-	-	-	-	233,641	1,720,157	-	-	-	-	-
Other receivable	-	-	74,683	-	-	-	-	-	-	-	-	-	-	74,785	-	-	-	-	-	-
	-	-	317,491	1,719,988	-	-	-	-	-	-	-	-	308,426	1,720,157	-	-	-	-	-	-
Borrowings																				
Opening balance	-	-	-	-	9,111	-	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
Borrowings during the year	-	-	-	-	36,026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	45,137	-	-	-	-	-	-	-	-	-	(270,703)	-	-	-	-	-
Deposits and other accounts																				
Opening balance	1,320	177,236	1,553,709	-	-	58,871	-	1,359,644	13,282,016	227,967	3,835	94,715	1,522,792	-	-	73	-	1,235,120	13,296,883	40,416,083
Received during the year	5,090	519,582	382,247	-	-	9,434,699	-	1,966,589	848,604	1,548,162	8,672	713,917	251,901	-	-	47,037,983	-	3,054,527	1,941,908	708,790
Withdrawn during the year	(3,603)	(502,310)	(1,238,633)	-	-	(9,336,616)	-	(3,021,741)	(851,098)	(448,758)	(11,228)	(620,573)	(230,884)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)
Transfer in / (out) - net*	(12)	(11,018)	-	-	-	-	-	-	-	-	41	(10,823)	-	-	-	-	-	-	(40,266,774)	-
Closing balance	2,705	183,470	697,123	-	-	156,754	-	314,492	13,279,522	1,326,371	1,320	177,236	1,553,709	-	-	58,871	-	1,369,644	13,282,016	227,967
Other Liabilities																				
Other payables to subsidiaries	-	-	4,664	-	-	-	-	-	-	-	-	-	4,308	-	-	-	-	-	-	-
	-	-	4,664	-	-	-	-	-	-	-	-	-	4,308	-	-	-	-	-	-	-

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

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June 30, 2021 (Un-audited)

June 30, 2020 (Un-audited)

	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Others	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Others
(Rupees in '000)														
Income														
Mark-up / return / interest earned	-	9,683	5,613	5	-	-	4,979	-	821	10,966	9	-	-	12,820
Commission received from subsidiaries	-	234	-	-	-	-	-	-	645	-	-	-	-	-
Dividend Income	-	-	-	-	-	-	-	-	12,016	-	-	-	-	-
Rent income / lighting and power and bank charges	-	12,326	2,554	-	-	-	-	-	19,489	2,319	-	-	-	9,723
Expense														
Mark-up / return / interest paid	-	3,526	-	33	38,037	724,844	5,109	-	19,203	-	293	52,784	721,268	2,140
Expenses paid to company in which Directors of the bank is interested as CEO and director	-	-	-	-	-	-	-	-	18,668	-	-	-	-	5,632
Remuneration to key management executives including charge for defined benefit plan	347,228	-	-	-	-	-	-	220,761	-	-	-	-	-	-
Commission paid to subsidiaries	-	3,490	-	-	-	-	-	-	2,432	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	1,044	-	-	-	-	-	-	1,044

36.1 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. 3,981 million for the half year ended June 30, 2021. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 385,039 million, Rs. 1,100,976 million and Rs. 1,327,587 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 15,798 million and Rs. 27,401 million respectively.

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37. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) June 30, 2021 ----- (Rupees in '000) -----	(Audited) December 31, 2020
--	-----------------------------------

Minimum Capital Requirement

Paid-up capital (net of losses)

<u>21,275,131</u>	<u>21,275,131</u>
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Capital Adequacy Ratio

Eligible Common Equity Tier 1 Capital

Eligible Additional Tier 1 Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

<u>190,468,548</u>	<u>172,896,361</u>
-	-
<u>190,468,548</u>	<u>172,896,361</u>
<u>62,717,398</u>	<u>55,224,098</u>
<u>253,185,946</u>	<u>228,120,459</u>

Risk Weighted Assets

Credit Risk

Market Risk

Operational Risk

Total

<u>860,804,119</u>	<u>858,263,350</u>
<u>73,461,256</u>	<u>87,765,828</u>
<u>207,071,580</u>	<u>207,071,580</u>
<u>1,141,336,955</u>	<u>1,153,100,758</u>

Common Equity Tier 1 Capital Adequacy ratio

<u>16.69%</u>	<u>14.99%</u>
---------------	---------------

Tier 1 Capital Adequacy Ratio

<u>16.69%</u>	<u>14.99%</u>
---------------	---------------

Total Capital Adequacy Ratio

<u>22.18%</u>	<u>19.78%</u>
---------------	---------------

Leverage Ratio

Eligible Tier-1 Capital

Total Exposures

Leverage Ratio

<u>190,468,548</u>	<u>172,896,361</u>
<u>5,239,914,690</u>	<u>4,256,253,296</u>
<u>3.63%</u>	<u>4.06%</u>

Liquidity Coverage Ratio

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

<u>1,212,439,564</u>	<u>1,200,257,790</u>
<u>765,625,825</u>	<u>666,722,922</u>
<u>158%</u>	<u>180%</u>

Net Stable Funding Ratio

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

<u>2,521,698,592</u>	<u>2,309,310,465</u>
<u>893,907,284</u>	<u>901,126,786</u>
<u>282%</u>	<u>256%</u>

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38. ISLAMIC BANKING BUSINESS

The Bank is operating 190 (December 31, 2020: 191) Islamic banking branches and no Islamic banking windows at the half year ended June 30, 2021.

The statement of financial position of the Bank's Islamic banking branches as at June 30, 2021 is as follows:

The statement of financial position of the Bank's Islamic banking branches as at June 30, 2021 is as follows.

		(Un-audited) June 30, 2021	(Audited) December 31, 2020
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		7,620,868	5,713,009
Balances with other banks		12,199	11,948
Investments	38.1	46,097,726	42,109,641
Islamic financing and related assets - net	38.2	37,290,273	37,546,704
Fixed assets		128,184	148,884
Right of use assets		699,593	755,116
Other assets		2,218,185	2,676,118
Total Assets		94,067,028	88,961,420
LIABILITIES			
Bills payable		443,326	339,103
Deposits and other accounts	38.3	84,839,634	75,268,262
Lease liability against right of use assets		877,211	903,196
Due to head office		517,646	4,124,758
Other liabilities		1,401,129	2,198,144
		88,078,946	82,833,463
NET ASSETS		5,988,082	6,127,957
REPRESENTED BY			
Islamic Banking Fund		4,646,000	3,360,000
Surplus on revaluation of assets		685,749	659,569
Unappropriated / unremitted profit	38.4	656,333	2,108,388
		5,988,082	6,127,957

The profit and loss account of the Bank's Islamic banking branches for the half year ended June 30, 2021 is as follows:

		(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
	Note	----- (Rupees in '000) -----	
Profit / return earned	38.5	3,270,388	4,383,147
Profit / return expensed	38.6	1,412,113	2,002,606
Net profit / return		1,858,275	2,380,541
Other income			
Fee and commission income		109,890	198,966
Foreign exchange income		19,579	36,760
Other income		259	708
Total other income		129,728	236,434
Total income		1,988,003	2,616,975
Other expenses			
Operating expenses		1,331,407	1,123,947
Other charges		475	1,605
		1,331,882	1,125,552
Profit before provisions		656,121	1,491,423
Provisions charge / (reversal) and write offs - net		(212)	99,779
Profit before taxation		656,333	1,391,644
Taxation		-	-
Profit after taxation		656,333	1,391,644

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	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution

38.1 Investments by segments:

Federal Government Securities:

- Ijarah Sukuks	8,001,105	-	53,894	8,054,999	6,000,000	-	15,600	6,015,600
- Others (Bai Muajjal with GOP @ 13.30%)	12,258,184	-	-	12,258,184	11,641,133	-	-	11,641,133
	20,259,289	-	53,894	20,313,183	17,641,133	-	15,600	17,656,733

Non Government Debt Securities:

- Listed	8,300,000	-	316,319	8,616,319	8,400,000	-	311,740	8,711,740
- Unlisted	16,983,495	(130,807)	315,536	17,168,224	15,539,747	(130,807)	332,228	15,741,168
	25,283,495	(130,807)	631,855	25,784,543	23,939,747	(130,807)	643,968	24,452,908
Total Investments	45,542,784	(130,807)	685,749	46,097,726	41,580,880	(130,807)	659,568	42,109,641

(Un-audited) (Audited)
June 30, December 31,
2021 2020
----- (Rupees in '000) -----

38.2 Islamic financing and related assets - net

Ijarah	130,282	168,788
Murabaha	1,763,901	3,464,401
Diminishing Musharaka	19,012,724	17,614,309
Istisna	50,000	50,000
Other Islamic Modes (Wakala tul Istismar, Tijarat)	8,800,000	8,500,000
Advances against Islamic assets (Murabaha, DM, Istisna, Musawama)	7,509,226	8,076,678
Inventory related to Islamic financing (Istisna and Tijarat)	627,000	275,600
Gross Islamic financing and related assets	37,893,133	38,149,776

Less: provision against Islamic financings

- Specific	(602,763)	(602,913)
- General	(97)	(159)
	(602,860)	(603,072)
Islamic financing and related assets - net of provision	37,290,273	37,546,704

23/11/2021

(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----	

38.3 Deposits and other accounts

Customers

Current deposits	21,759,683	26,474,979
Savings deposits	42,806,167	33,051,442
Term deposits	8,195,527	10,129,005
	<u>72,761,377</u>	<u>69,655,426</u>

Financial Institutions

Current deposits	642,139	778,039
Savings deposits	11,224,390	3,633,797
Term deposits	211,728	1,201,000
	<u>12,078,257</u>	<u>5,612,836</u>
	<u>84,839,634</u>	<u>75,268,262</u>

38.4 Unappropriated / unremitted profit

Opening balance
Add: Islamic banking profit for the period
Less: Transferred / remitted to head office
Closing balance

2,108,388	2,039,140
656,333	2,108,388
(2,108,388)	(2,039,140)
<u>656,333</u>	<u>2,108,388</u>

(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
----- (Rupees in '000) -----	

38.5 Profit / return earned

Profit earned on:

Financing	1,366,254	2,342,843
Investments	1,286,787	1,401,918
Placements	295	5,380
Others (Bai Muajjal)	617,052	633,006
	<u>3,270,388</u>	<u>4,383,147</u>

38.6 Profit / return expensed

Deposits and other accounts
Finance charge on right of use assets
Others (General Account)

1,158,711	1,746,341
41,669	47,676
211,733	208,589
<u>1,412,113</u>	<u>2,002,606</u>

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39. GENERAL

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

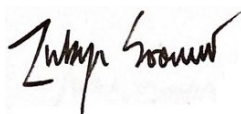
40. DATE OF AUTHORIZATION FOR ISSUE

26 AUG 2021

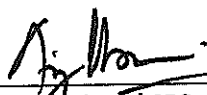
The unconsolidated condensed interim financial statements were authorized for issue on _____ by the Board of Directors of the Bank.

Affix

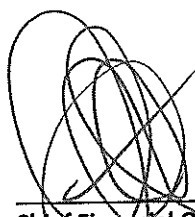
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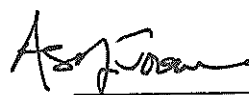
Chairman



President / CEO



Chief Financial Officer



Director



Director

**NATIONAL BANK OF PAKISTAN
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2021**

Directors' Report to the Shareholders Consolidated Financial Statements

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Review together with consolidated financial statement of National Bank of Pakistan "the Bank" and its subsidiaries for the half-year ended June 30, 2021.

Consolidated after-tax profit for the six-months period ended June 30, 2021 amounted to PKR 17.05 billion, being 12.8% higher than PKR 15.11 billion earned for the corresponding six-month period of 2021. During this period, the Bank's subsidiaries contributed a net profit of PKR 163.39 million (Jun'20: PKR 158.68 million) towards the Group's profitability, and the share of profits/(loss) from associates was PKR 30.94 million (Jun'20: loss of PKR 62.97 million). A profit of PKR 56.21 million was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS stood at Rs. 7.98 as compared to Rs. 7.08 for the similar period of 2021. As of June 30, 2021, consolidated assets of the Bank were 20.1% higher at PKR 3,624.98 billion compared to the December 31, 2020 level of PKR 3,017.21 billion.

Profit for the six-months ended June 30, 2021 after carry forward of accumulated profit of 2020 is proposed for appropriation as follows:

	(PKR 'Bn)
After-tax profit for the six-months ended June 30, 2021	17.05
Unappropriated profit brought forward	120.63
Other comprehensive income- net of tax	0.23
Non-controlling interest	(0.07)
Transfer from surplus on revaluation of fixed assets	0.12
Profit available for appropriations	<u>137.96</u>
Appropriation:	
Transfer to Statutory Reserve	<u>(1.70)</u>
Unappropriated profit carried forward	<u><u>136.27</u></u>

For and on behalf of the Board of Directors

Arif Usmani
President & CEO
Karachi
Date: August 26, 2021

Zubyr Soomro
Chairman

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

(Un-audited) (Audited)
June 30, December 31,
2021 2020

Note ----- Rupees in '000 -----

ASSETS

Cash and balances with treasury banks	6	383,640,756	249,969,566
Balances with other banks	7	18,925,058	15,015,366
Lendings to financial institutions	8	180,790,708	126,804,675
Investments	9	1,852,914,100	1,466,405,373
Advances	10	997,022,576	983,871,421
Fixed assets	11	54,797,294	55,086,809
Intangible assets	12	958,215	1,022,143
Right of use assets	13	7,287,177	7,017,020
Other assets	14	128,647,865	112,017,619
		3,624,983,749	3,017,209,992

LIABILITIES

Bills payable	15	22,265,478	16,795,186
Borrowings	16	442,256,518	138,539,005
Deposits and other accounts	17	2,679,044,162	2,418,928,469
Liabilities against assets subject to finance lease	18	175,995	197,224
Lease liability against right of use assets	19	8,355,140	7,869,355
Deferred tax liabilities	20	2,857,706	2,933,124
Other liabilities	21	177,559,188	157,545,347
		3,332,514,186	2,742,807,710
		292,469,563	274,402,282

NET ASSETS

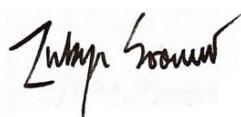
REPRESENTED BY


Share capital		21,275,131	21,275,131
Reserves		58,074,531	57,591,417
Surplus on revaluation of assets	22	75,870,096	73,987,802
Unappropriated profit		136,266,464	120,631,784
		291,486,222	273,486,134
Non-controlling interest		983,341	916,148
		292,469,563	274,402,282

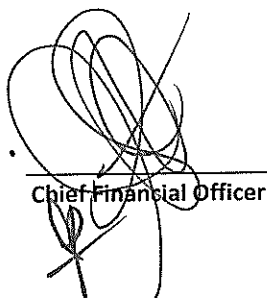
CONTINGENCIES AND COMMITMENTS

23

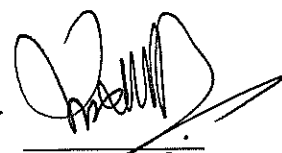
The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.


Chairman


President/CEO


Chief Financial Officer

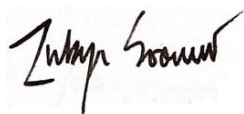

Director


Director


NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

	Quarter ended		Half year ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	Rupees in '000			
Profit after taxation for the period	9,202,919	10,972,867	17,047,373	15,111,414
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Exchange gain / (loss) on translation of net assets of foreign branches, subsidiaries and joint venture	1,375,375	(207,829)	(1,213,417)	127,402
Movement in surplus on revaluation of investments - net of tax	5,252,792	12,033,235	2,029,945	11,272,967
	6,628,167	11,825,406	816,528	11,400,369
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	106,567	(524,237)	230,872	(657,612)
Movement in surplus on revaluation of fixed assets - net of tax	(27,489)	589,997	(27,489)	589,997
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
	79,078	65,760	203,383	(67,615)
Total comprehensive income	15,910,164	22,864,033	18,067,284	26,444,168
Total comprehensive income attributable to:				
Shareholders of the Bank	15,872,712	22,837,895	18,000,091	26,399,344
Non-controlling interest	37,452	26,138	67,193	44,824
	15,910,164	22,864,033	18,067,284	26,444,168

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.


Chairman


President / CEO


Chief Financial Officer

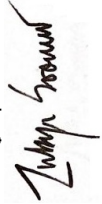

Director

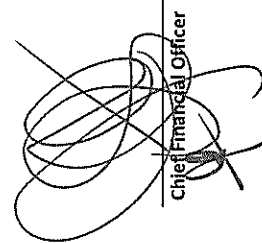

Director

**NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021**

	Share capital	Reserves					Surplus on revaluation of assets			Unappropriated profit	Sub Total	Non-Controlling Interest	Total
		Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Fixed / non-banking assets		Total				
							Investments						
Rupees In '000													
Balance as at January 01, 2020	21,275,131	11,570,596	33,168,855	8,000,000	521,338	53,260,769	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 half year ended June 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	127,402	-	-	-	127,402	11,272,967	569,997	11,862,964	15,066,590	15,066,590	44,824	15,111,414
Transfer to statutory reserve	-	-	1,519,037	-	-	1,519,037	-	-	-	(657,612)	11,332,754	-	11,332,754
Transfer from surplus on revaluation of assets to unappropriated profit- net of tax	-	-	-	-	-	-	-	(113,787)	(113,787)	113,787	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at July 01, 2020	21,275,131	11,697,998	34,687,892	8,000,000	521,338	54,907,228	36,526,419	45,581,345	82,107,764	106,469,244	264,759,368	907,356	265,666,724
Profit after taxation for the half year ended December 31, 2020	-	-	-	-	-	-	-	-	-	15,423,163	15,423,163	51,342	15,474,505
Other comprehensive income / (loss) - net of tax	-	1,147,334	-	-	-	1,147,334	(8,275,535)	272,167	(8,003,368)	159,640	(6,696,394)	-	(6,696,394)
Transfer to statutory reserve	-	-	1,536,855	-	-	1,536,855	-	-	-	(1,536,855)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(116,592)	(116,592)	116,592	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(42,550)	(42,550)
Balance as at January 01, 2021	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
Profit after taxation for the half year ended June 30, 2021	-	-	-	-	-	-	-	-	-	16,980,180	16,980,180	67,193	17,047,373
Other comprehensive income / (loss) - net of tax	-	(1,213,417)	-	-	-	(1,213,417)	2,029,945	(27,489)	2,002,456	230,872	1,019,911	-	1,019,911
Transfer to statutory reserve	-	-	1,696,531	-	-	1,696,531	-	-	-	(1,696,531)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit- net of tax	-	-	-	-	-	-	-	(120,159)	(120,159)	120,159	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2020 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	21,275,131	11,631,915	37,921,278	8,000,000	521,338	58,074,531	30,280,828	45,569,268	75,870,096	136,266,464	291,486,222	983,341	292,469,563

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.


Chairman


Chief Financial Officer

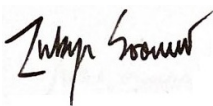

Director



Director

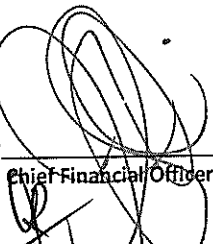
NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

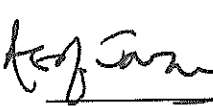
	June 30, 2021	March 31, 2020
Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	28,174,072	21,590,770
Less: dividend income	(1,469,666)	(1,020,312)
	<u>26,704,406</u>	<u>20,570,458</u>
Adjustments:		
Depreciation on fixed assets	1,238,966	1,277,373
Depreciation on right of use assets	1,022,961	1,012,114
Amortization	122,626	106,905
Provision and write-offs - net	6,937,884	15,581,459
Gain on sale of fixed assets	(22,068)	(29,117)
Financial charges on leased assets	22,384	20,243
Financial charges on right-of-use-assets	433,628	389,616
Unrealized gain on revaluation of investments classified as held-for-trading	(632)	(48,399)
Charge for defined benefit plans - net	3,623,709	3,705,440
Share of loss / (profit) from joint venture - net of tax	(56,209)	217,623
Share of loss / (profit) from associates - net of tax	(30,939)	62,966
	<u>13,292,310</u>	<u>22,296,223</u>
	<u>39,996,716</u>	<u>42,866,681</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(54,015,110)	98,205,485
Held-for-trading securities	62,392,518	4,786,184
Advances	(19,477,825)	54,595,827
Other assets (excluding advance taxation)	(24,305,148)	(2,548,940)
	<u>(35,405,565)</u>	<u>155,038,556</u>
Increase/ (decrease) in operating liabilities		
Bills payable	5,470,292	7,539,390
Borrowings from financial institutions	285,599,258	(102,913,720)
Deposits	260,115,693	141,454,814
Other liabilities (excluding current taxation)	17,329,689	(13,258,547)
	<u>568,514,932</u>	<u>32,821,937</u>
Financial charges paid	(456,012)	(409,859)
Income tax paid / adjusted	(5,571,808)	(165,215)
Benefits paid	(831,378)	(1,840,121)
Net cash flows generated from operating activities	<u>566,246,885</u>	<u>228,311,979</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(369,130,772)	(203,716,753)
Net investments in held-to-maturity securities	(76,454,632)	11,612,598
Dividends received	1,612,321	595,282
Investments in fixed assets	(967,289)	(758,256)
Proceeds from sale of fixed assets	44,923	79,284
Effect of translation of net investment in foreign branches	(1,213,417)	127,402
Net cash flows (used in) / generated from investing activities	<u>(446,108,866)</u>	<u>(192,060,444)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	(706,470)	(601,884)
Dividend paid	-	(438)
Net cash flow used in financing activities	<u>(706,470)</u>	<u>(602,322)</u>
Increase in cash and cash equivalents	<u>119,431,550</u>	<u>35,649,213</u>
Cash and cash equivalents at beginning of the period	<u>263,741,704</u>	<u>264,816,479</u>
Cash and cash equivalents at end of the period	<u>383,173,254</u>	<u>300,465,692</u>


The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.


Chairman


President / CEO


Chief Financial Officer


Director


Director

NATIONAL BANK OF PAKISTAN
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies

- CJSC Subsidiary Bank of NBP in Kazakhstan
- CJSC Subsidiary Bank of NBP in Tajikistan
- NBP Exchange Company Limited, Pakistan
- National Bank Modaraba Management Company Limited, Pakistan
- First National Bank Modaraba, Pakistan
- Taurus Securities Limited, Pakistan
- NBP Fund Management Limited, Pakistan
- Cast-N-Link Products Limited

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.

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). The registered and head office of the Bank 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 (December 31, 2020: 1,514) branches in Pakistan and 21 (December 31, 2020: 21) overseas branches (including the Export Processing Zone branch, Karachi).

CJSC Subsidiary Bank of NBP in Kazakhstan, CJSC Subsidiary Bank of NBP in Tajikistan, NBP Exchange Company Limited, National Bank Modaraba Management Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32%, NBP Fund Management Limited is 54%, First National Bank Modaraba 30% and Cast-N-Link Products Limited 76.51%.

1.2 BASIS OF CONSOLIDATION

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

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

2.1.1 These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.1.2 The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments (IAS 39): Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular No.4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards IFAS 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I) /2008 dated April 28, 2008, International Financial Reporting Standard 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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

2.1.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 5, dated March 22, 2019 and International Accounting Standard IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2020.

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

3.1 Standards, interpretations of and amendments to accounting and reporting standards that are effective in the current period

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2021. These are either considered to be not relevant or do not have any significant impact on these consolidated condensed interim financial statements.

Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

As per the SBP's BPRD Circular Letter no. 24 dated July 05, 2021, the implementation of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 01, 2022. Meanwhile, banks are required to submit IFRS 9 compatible pro forma financial statements for the year ending December 31, 2021 and perform parallel run of IFRS 9 on quarterly basis. Further, the SBP will provide a timeline by December 2021 for absorption of "Expected Credit Loss" (ECL), for Capital Adequacy Ratio (CAR) purposes, after assessment / evaluation of pro forma financial statements. Currently, the Bank is in the process of assessing the impact of application of IFRS 9 on the Bank's financial statements on the basis of draft guidelines issued by the State Bank of Pakistan.

There are certain other new amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2022, but are considered not to be relevant or will not have significant effect on the Bank's operations and are, therefore, not detailed in these consolidated condensed interim financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adapted for presentation of these consolidated condensed interim financial statements are same as those followed in presentation of the consolidated financial statements of the Group for the year ended December 31, 2020.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2020.

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
Note	----- Rupees in '000 -----	

6. CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency
Foreign currencies

54,198,525	48,499,942
8,875,577	6,925,688
63,074,102	55,425,630

With State Bank of Pakistan in

Local currency current accounts
Foreign currency current accounts
Foreign currency deposit accounts
Foreign currency collection accounts

6.1	249,223,567	125,017,412
6.2	10,201,205	10,209,399
6.2	20,957,327	21,022,297
	1,761,887	1,618,084
	282,143,986	157,867,192

With other central banks in

Foreign currency current accounts
Foreign currency deposit accounts

6.3	26,153,643	29,581,326
6.3	3,305,698	4,789,170
	29,459,341	34,370,496

Prize bonds

8,963,327	2,306,248
383,640,756	249,969,566

- 6.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 6.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 6.3 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 0.00% to 6.30% per annum (December 31, 2020: 0.00% to 3.50% per annum).

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
Note	----- Rupees in '000 -----	

7. BALANCES WITH OTHER BANKS

In Pakistan

In current accounts
In deposit accounts

7.1	97,912	33,502
	396,079	394,071
	493,991	427,573

Outside Pakistan

In current accounts
In deposit accounts

7.2	11,080,548	8,708,983
	7,350,519	5,878,810
	18,431,067	14,587,793
	18,925,058	15,015,366

7.1 These include various deposits with banks and carry interest at rates ranging from 2.0% to 7.0% per annum (December 31, 2020: 2.0% to 8.0% per annum).

7.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 1.9% per annum (December 31, 2020: 0.0% to 2.5% per annum).

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
Note	Rupees in '000	

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	8.1	2,009,723	2,040,800
Repurchase agreement lendings (Reverse Repo)	8.2	178,780,985	124,763,875
Letters of placement	8.3	174,150	176,150
	8.4	180,964,858	126,980,825
Less: provision held against lendings to financial institutions	8.5	(174,150)	(176,150)
Lendings to financial institutions - net of provision		<u>180,790,708</u>	<u>126,804,675</u>

8.1 This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (December 31, 2020: Rs. 40.8 million) which is guaranteed by the SBP.

8.2 These carry mark-up at rates ranging from 7.00% to 7.80% per annum (December 31, 2020: 6.00% to 7.29% per annum) with maturities ranging from July 02, 2021 to July 15, 2021.

8.3 These are overdue placements and full provision has been made against these placements as at June 30, 2021.

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	Rupees in '000	

8.4 Particulars of lending

In local currency	<u>180,964,858</u>	<u>126,980,825</u>
	<u>180,964,858</u>	<u>126,980,825</u>

8.5 Movement in provision held against lendings is as follows:

Opening balance	176,150	176,150
Reversal for the period	(2,000)	-
Closing balance	<u>174,150</u>	<u>176,150</u>

8.6 Securities held as collateral against lendings to financial institutions

	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral
Market Treasury Bills	16,651,280	-	16,651,280	91,230,121	-
Pakistan Investment Bonds	162,129,705	-	162,129,705	33,533,754	-
Total	178,780,985	-	178,780,985	124,763,875	-

8.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 178,657 million (December 31, 2020: Rs. 125,094 million).

8.7 Category of classification

	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Classified Lending	Provision held	Classified Lending	Provision held
Domestic				
Loss				
	174,150	174,150	176,150	176,150

9. INVESTMENTS

9.1 Investments by type:

Held-for-trading securities

Market Treasury Bills
Pakistan Investment Bonds
Ordinary shares of listed companies
Investment in mutual funds
Foreign Government Securities

Available-for-sale securities

Market Treasury Bills
Pakistan Investment Bonds
Ijarah Sukuks
Ordinary shares of listed companies
Ordinary shares of unlisted companies
Preference shares
Term Finance Certificates / Musharika
Participation Term Certificate and Sukuk Bonds
GoP Foreign Currency Bonds
Foreign Government Securities
Foreign Currency Debt Securities
Investments in mutual funds
Ordinary shares of a bank outside Pakistan

Held-to-maturity securities

Market Treasury Bills
Pakistan Investment Bonds
Debentures, Bonds, Sukuks, Participation Term
Certificates and Term Finance Certificates
Bai Muajjal with Government of Pakistan
GoP Foreign Currency Bonds
Foreign Government Securities
Foreign Currency Debt Securities

Associates

Joint Venture

Subsidiaries

Total Investments

June 30, 2021 (Un-audited)				December 31, 2020 (Audited)			
Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000							
31,227,096	-	7,126	31,234,222	96,157,306	-	3,529	96,160,835
2,839,316	-	(2,356)	2,836,960	496,805	-	(1,455)	495,350
147,919	-	-	147,919	157,217	-	-	157,217
488,824	-	(4,138)	484,686	282,361	-	8,482	290,843
1,093,932	-	-	1,093,932	1,105,840	-	-	1,105,840
35,797,087	-	632	35,797,719	98,199,529	-	10,556	98,210,085
909,963,752	-	395,550	910,359,302	529,397,138	-	690,817	530,087,955
465,084,119	-	1,504,752	466,588,871	470,136,168	-	2,776,564	472,912,732
8,048,226	-	53,894	8,102,120	6,000,000	-	15,600	6,015,600
31,935,519	(5,426,217)	18,855,658	45,364,960	33,242,726	(5,568,236)	20,257,485	47,931,975
1,886,982	(410,893)	-	1,476,089	1,865,982	(410,893)	-	1,455,089
1,724,308	(539,708)	105,000	1,289,600	1,445,308	(539,708)	194,250	1,099,850
53,847,835	(5,223,729)	875,748	49,499,854	60,250,294	(5,196,406)	856,659	55,910,547
11,495,889	-	384,899	11,880,788	10,429,632	-	411,243	10,840,875
785,847	-	42,719	828,566	2,795,017	-	52,159	2,847,176
-	-	-	-	79,438	-	1,202	80,640
619,646	(41,167)	1,579,311	2,157,790	619,646	(41,167)	1,421,691	2,000,170
463,293	-	23,109,746	23,573,040	463,295	-	17,189,483	17,652,778
1,485,855,416	(11,641,714)	46,907,277	1,521,120,980	1,116,724,644	(11,756,410)	43,867,153	1,148,835,387
49,136,078	-	-	49,136,078	-	-	-	-
193,226,011	-	-	193,226,011	168,676,415	-	-	168,676,415
415,931	(407,134)	-	8,797	414,972	(407,134)	-	7,838
12,258,184	-	-	12,258,184	11,641,133	-	-	11,641,133
2,742,447	-	-	2,742,447	-	-	-	-
31,827,320	-	-	31,827,320	32,418,809	-	-	32,418,809
608	-	-	608	618	-	-	618
289,606,579	(407,134)	-	289,199,445	213,151,947	(407,134)	-	212,744,813
1,285,466	(645,016)	-	640,450	1,259,067	(697,984)	-	561,083
6,155,506	-	-	6,155,506	6,054,005	-	-	6,054,005
1,245	(1,245)	-	-	1,245	(1,245)	-	-
1,818,701,299	(12,695,110)	46,907,909	1,852,914,100	1,435,390,437	(12,862,773)	43,877,709	1,466,405,373

(Un-audited) (Audited)
June 30, December 31,
2021 2020
----- Rupees in '000 -----

9.1.1 Investments given as collateral

Pakistan Investment Bonds
Market Treasury Bills

17,500,000	2,300,000
251,186,265	3,000,000
268,686,265	5,300,000

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

12,862,773 12,895,866

Charge / reversals
Charge for the period
Reversals for the period

774,127	1,258,140
(941,790)	(1,291,233)
(167,663)	(33,093)

Closing Balance

12,695,110 12,862,773

9.2.2 Particulars of provision against debt securities

Category of classification

Domestic

Doubtful
Loss

June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
NPI	Provision	NPI	Provision
-	-	119,133	59,567
5,639,627	5,630,863	5,552,738	5,543,973
5,639,627	5,630,863	5,671,871	5,603,540

9.3 The market value of securities classified as held-to-maturity as at June 30, 2021 amounted to Rs. 295,667 million (December 31, 2020: Rs. 218,678 million).

10. 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

10.1 Net Investment in Finance Lease

	Performing		Non Performing		Total	
	(Un-audited) June 30, 2021	(Audited) December 31, 2020	(Un-audited) June 30, 2021	(Audited) December 31, 2020	(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- Rupees in '000 -----						
10.1	931,001,600	932,517,097	171,325,850	160,534,747	1,102,327,451	1,093,051,844
	37,290,296	37,546,863	602,837	602,913	37,893,133	38,149,776
	52,894	58,239	28,944	28,944	81,838	87,183
10.2	26,987,853	18,998,127	12,945,291	10,646,008	39,933,144	29,644,135
	995,332,643	989,120,326	184,902,922	171,812,612	1,180,235,566	1,160,932,938

10.4

June 30, 2021 (Un-audited)				December 31, 2020 (Audited)			
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 -----							
56,407	242	-	56,650	61,751	556	-	62,307
49,434	185	-	49,619	48,804	815	-	49,619
105,841	427	-	106,268	110,555	1,371	-	111,926
24,430	-	-	24,430	24,710	32	-	24,743
81,411	427	-	81,838	85,845	1,339	-	87,183

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 Group requires the lessee to insure the leased assets in favour of the Group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (December 31, 2020: 10.19% to 17.30%) per annum.

10.2 Particulars of advances (Gross)

In local currency
In foreign currencies

	(Un-audited) June 30, 2021	(Audited) December 31, 2020	
----- Rupees in '000 -----			
1,097,835,875	1,071,981,593		
82,399,691	88,951,345		
1,180,235,566	1,160,932,938		

- 10.3 Advances include Rs. 184,903 million (2020: Rs. 171,813 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Rupees in '000				
Domestic				
Other Assets Especially Mentioned	1,719,511	89,161	1,626,950	45,392
Substandard	9,389,649	2,289,712	5,418,693	1,336,002
Doubtful	18,492,260	9,215,839	15,816,861	7,881,223
Loss	113,538,960	111,093,980	106,261,071	103,917,273
	143,140,381	122,688,692	129,123,575	113,179,889
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	11,666	9,183
91 to 180 days	734	691	-	-
181 to 365 days	-	-	-	-
> 365 days	41,761,807	40,501,459	42,677,371	41,398,697
	41,762,541	40,502,151	42,689,037	41,407,880
Total	184,902,922	163,190,843	171,812,612	154,587,769

10.4 Particulars of provision against advances

Note	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	154,587,769	22,473,748	177,061,517	134,688,966	9,005,951	143,694,917
Exchange adjustments	(731,649)	(5,687)	(737,336)	1,462,567	15,535	1,478,102
Charge for the period / year	3,959,695	5,446,914	9,406,609	19,001,917	13,707,207	32,709,124
Reversals	(2,109,733)	(232,870)	(2,342,603)	(3,138,355)	(321,795)	(3,460,150)
	1,849,962	5,214,044	7,064,006	15,863,562	13,385,412	29,248,974
Amounts written off	(118,247)	-	(118,247)	(89,494)	-	(89,494)
Amounts charged off - agriculture financing	(56,950)	-	(56,950)	(193,807)	-	(193,807)
Transfer	7,659,958	(7,659,958)	-	-	-	-
Transfer from other assets	-	-	-	2,855,975	66,850	2,922,825
Closing balance	163,190,843	20,022,147	183,212,990	154,587,769	22,473,748	177,061,517

10.4.1 Particulars of provision against advances

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	122,688,692	19,750,492	142,439,184	113,179,889	22,274,089	135,453,978
In foreign currencies	40,502,151	271,655	40,773,806	41,407,880	199,659	41,607,539
	163,190,843	20,022,147	183,212,990	154,587,769	22,473,748	177,061,517

10.4.2 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. 14,201 million (December 31, 2020: Rs. 17,078 million) in respect of its underperforming portfolio on prudent basis.

10.4.3 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.

10.4.4 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.

10.4.5 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.

As at June 30, 2021, 77 (December 31, 2020: 77) corporate borrowers, having aggregate outstanding exposure of Rs. 33,328 million (December 31, 2020: 145,851), have availed regulatory relief extended by SBP amounted to Rs. 23,830 million (December 31, 2020: Rs. 27,357 million).

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
		Rupees in '000	
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,362,056	2,232,001
Property and equipment		52,435,238	52,854,808
		<u>54,797,294</u>	<u>55,086,809</u>
11.1 Capital work-in-progress			
Civil works		2,137,505	2,040,456
Equipment		10,825	10,825
Advances to suppliers and contractors		59,468	59,000
Software implementation in progress		154,258	121,720
		<u>2,362,056</u>	<u>2,232,001</u>
		(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
		Rupees in '000	
11.2 Additions to fixed assets			

The following additions have been made to fixed assets during the period:

Capital work-in-progress	279,595	63,802
Property and equipment		
Building on leasehold land	30,327	39,914
Furniture and fixture	342,217	291,435
Computer and peripheral equipment	168,513	82,951
Electrical, office equipment	211,425	99,095
Vehicles	21,405	167,732
Assets held under finance lease - Vehicles	18,795	31,115
	<u>792,682</u>	<u>712,242</u>
Total	<u>1,072,277</u>	<u>776,044</u>

11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

	(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
	3,155	17,349
Furniture and fixture	45	4,616
Computer and peripheral equipment	1,071	3,294
Electrical, office equipment	16,738	18,244
Vehicles	1,847	6,652
Assets held under finance lease - Vehicle	-	4
Assets held under Ijarah - Machinery	-	8
Assets held under Ijarah - Vehicle	-	-
Total	22,856	50,167

(Un-audited) June 30, 2021
(Audited) December 31, 2020
----- Rupees in '000 -----

12. INTANGIBLE ASSETS

Computer Software
Goodwill on NBP Fund Acquisition
Others

395,662	457,558
562,553	562,553
-	2,032
958,215	1,022,143

(Un-audited) June 30, 2021
(Un-audited) June 30, 2020
----- Rupees in '000 -----

12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased

56,882	105,005
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(Un-audited) June 30, 2021
(Audited) December 31, 2020
----- Rupees in '000 -----

13. RIGHT-OF-USE ASSETS

The recognised right-of-use assets relate to the following types of assets:

Balance as at January 01
Additions during the period / year
Derecognition during the period / year
Depreciation charged for the period / year
Balance as at

7,017,020	7,447,414
1,312,047	1,622,504
(18,929)	-
(1,022,961)	(2,052,898)
7,287,177	7,017,020

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
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Note ----- Rupees in '000 -----

14. OTHER ASSETS

Income / return / mark-up accrued in local currency	39,318,666	39,649,974
Income / return / mark-up accrued in foreign currency	2,528,824	2,353,317
Advances, deposits, advance rent and other prepayments	5,073,915	3,069,977
Income tax refunds receivable & Advance taxation (payments less provisions)	14.1 18,452,393	27,392,273
Compensation for delayed tax refunds	18,438,303	17,556,551
Non-banking assets acquired in satisfaction of claims	1,248,103	1,255,834
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	208,423
Commission receivable on Government treasury transactions	8,868,216	4,612,174
Stationery and stamps on hand	536,768	499,511
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
Receivable against sale / purchase of shares	92,290	128,290
Receivable from Pakistan Stock Exchange	99,518	128,743
Receivable from mutual funds	929,884	892,552
Acceptances	33,943,496	15,741,754
Others	7,143,122	6,760,465
	137,819,326	121,187,243
Less: Provision held against other assets	14.2 11,883,956	11,882,119
Other assets (net of provision)	125,935,370	109,305,124
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	2,712,495	2,712,495
Other assets - total	128,647,865	112,017,619

14.1 During the period Rs. 2,629 million were adjusted against Income tax refunds on account of advance tax liability.

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
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----- Rupees in '000 -----

14.2 Provision held against other assets

Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	4,114,470	4,092,280
Ex-MBL / NDFC - other assets	770,398	770,398
Assets Acquired from corporate and industrial restructuring corporation asset (CIRC).	208,423	208,423
Others	4,766,161	4,786,515
	11,883,956	11,882,119

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	----- Rupees in '000 -----	
14.1.1 Movement in provision held against other assets		
Opening balance	11,882,119	10,853,588
Charge for the year / period	20,847	1,511,502
Transfer (out) / in	-	(484,393)
Adjustment against provision	(19,010)	1,422
Closing balance	11,883,956	11,882,119
15. BILLS PAYABLE		
In Pakistan	22,230,991	16,718,064
Outside Pakistan	34,487	77,122
	22,265,478	16,795,186
16. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	6,101,982	2,451,874
Under Export Refinance Scheme (New Scheme)	25,416,900	28,686,149
Financing Scheme for Renewable Energy	780,721	481,261
Refinance Facility for Modernization of SMEs	-	177,976
Financing Facility for storage of Agriculture Produce (FFSAP)	638,890	256,184
Under Long-Term Financing Facility (LTFF)	17,317,119	16,380,117
Refinance Scheme for Payment of Wages and Salaries	915,173	1,167,527
Temporary Economic Refinance Facility	6,228,564	537,912
Refinance Facility for Combating Covid-19	54,620	61,448
	57,453,969	50,200,448
Repurchase agreement borrowings	268,686,264	5,266,007
Bai Muajjal	94,714,002	79,788,522
	420,854,235	135,254,977
Unsecured		
Call borrowings	18,865,920	2,047,588
Overdrawn nostro accounts	2,536,363	1,236,440
	21,402,283	3,284,028
	442,256,518	138,539,005
16.1 Particulars of borrowings with respect to currencies		
In local currency	423,390,598	136,491,430
In foreign currencies	18,865,920	2,047,575
	442,256,518	138,539,005
16.2 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 3.00% (December 31, 2020: 3.00%).		
- Repurchase agreement borrowings carry mark-up ranging from 6.80% to 7.10% per annum (December 31, 2020: 7.00% to 7.05% per annum) having maturity on ranging from July 02, 2021 to July 15, 2021.		
- Call borrowings carry interest ranging from 0% to 2.5% per annum (December 31, 2020: 0% to 2.00% per annum).		
16.3 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.		
16.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 268,686 million (December 31, 2020: Rs. 5,300 million).		

17. DEPOSITS AND OTHER ACCOUNTS

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	-----Rupees in '000 -----					
Customers						
Current deposits - remunerative	529,642,911	-	529,642,911	405,738,851	-	405,738,851
Current deposits - non-remunerative	498,168,014	124,252,653	622,420,667	433,284,063	116,597,781	549,881,844
Savings deposits	664,834,637	73,134,681	737,969,318	637,694,450	66,235,665	703,930,115
Term deposits	289,101,933	64,618,454	353,720,387	276,454,916	81,153,488	357,608,404
Others	11,478,079	4,184	11,482,263	4,683,735	316,040	4,999,775
	1,993,225,574	262,009,972	2,255,235,546	1,757,856,015	264,302,974	2,022,158,989
Financial Institutions						
Current deposits	391,493,726	1,191,261	392,684,987	360,373,331	654,758	361,028,089
Savings deposits	19,659,118	-	19,659,118	4,253,051	3,246,855	7,499,906
Term deposits	5,689,470	4,382,485	10,071,955	12,392,089	8,739,494	21,131,583
Others	1,390,813	1,743	1,392,556	7,109,902	-	7,109,902
	418,233,127	5,575,489	423,808,616	384,128,373	12,641,107	396,769,480
	2,411,458,701	267,585,461	2,679,044,162	2,141,984,388	276,944,081	2,418,928,469

17.1 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 65,366 million (December 31, 2020: Rs. 73,145 million).

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	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	81,659	8,254	73,405	83,677	10,197	73,480
Later than one year and upto five years	106,589	3,999	102,590	129,092	5,348	123,744
Over five years	-	-	-	-	-	-
	188,248	12,253	175,995	212,769	15,545	197,224

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 6M KIBOR + 1.50% per annum (December 31, 2020: 6M KIBOR + 1.75% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

19. LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	----- Rupees in '000 -----	
Lease liabilities included in the statement of financial position	8,355,140	7,869,355
Of which are:		
Current lease liability	1,619,023	1,517,181
Non-current lease liability	6,736,117	6,352,174
	8,355,140	7,869,355
Maturity analysis - contractual undiscounted cash flows		
Less than one year	2,303,173	2,473,379
One to five years	6,448,986	6,130,245
More than five years	6,112,704	5,843,702
Total undiscounted lease liabilities	14,864,863	14,447,326

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
Note	----- Rupees in '000-----	

20. DEFERRED TAX LIABILITIES

Deductible temporary differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loans and advances
- Provision against off-balance sheet obligations
- Accelerated tax depreciation
- Right of use assets
- Other provisions
- Others

10,705	10,705
4,053,732	4,188,201
236,751	236,751
9,953,615	9,084,601
115,222	115,222
1,076,307	1,123,974
375,174	-
105,416	105,416
-	3,058
15,926,921	14,867,928

Taxable temporary differences on

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

(2,332,118)	(2,396,819)
(16,407,413)	(15,346,840)
(44,713)	(44,713)
(383)	(12,680)
(18,784,627)	(17,801,052)
(2,857,706)	(2,933,124)

21. OTHER LIABILITIES

- Mark-up / Return / Interest payable in local currency
- Mark-up / Return / Interest payable in foreign currencies
- Unearned commission and income on bills discounted
- Accrued expenses
- Advance payments
- Acceptances
- Unclaimed dividends
- Unrealized loss on forward foreign exchange contracts
- Unrealized loss on put option
- Branch adjustment account
- Employee benefits:
 - Pension fund
 - Post retirement medical benefits
 - Benevolent scheme
 - Gratuity scheme
 - Compensated absences
- Staff welfare fund
- Liabilities relating to Barter trade agreements
- Provision against off-balance sheet obligations
- Provision against contingencies
- Payable to brokers
- Payable to customers
- PIBs short selling
- Others

	38,258,276	37,808,884
	823,639	844,452
	969,616	1,593,730
21.1	16,065,491	18,315,863
	402,225	398,682
	33,943,496	15,741,754
	185,516	185,516
	1,758,364	2,918,017
	306,339	306,339
	549,930	917,487
	15,386,447	15,704,077
	23,231,252	22,282,747
	1,995,997	2,054,218
	3,188,910	2,956,827
	9,628,206	9,251,755
	371,257	371,257
	2,151,891	2,142,033
	627,494	627,494
	4,302,764	4,180,071
	135,739	65,137
	283,908	301,585
	7,668,582	3,237,676
	15,323,849	15,339,746
	177,559,188	157,545,347

21.1 Litigation related to management trainee program

This has been explained in note 26.3.3.3 to the consolidated financial statement for the year ended December 31, 2020. Subsequently, the Bank has entered into out of court settlements 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. Such out of court settlements were undertaken with the vast majority of the non petitioners in addition to the petitioners. The Bank is now in the process of complying with court orders of the various High Courts where the cases have attained finality and is undertaking payments to the petitioners (who did not avail the out of court settlement) as per the court orders. The management expects that the issue of Non MTOs will be resolved to a large extent, by the end of 2021.

		(Un-audited) June 30, 2021	(Audited) December 31, 2020
Note		Rupees in '000	
22.	SURPLUS ON REVALUATION OF ASSETS		
	Surplus / (deficit) on revaluation of		
	- Available for sale securities	9.1 46,907,277	43,867,153
	- Fixed Assets	45,208,893	45,421,244
	- Non-banking assets	2,757,207	2,757,207
	- On securities of associates and joint venture	(219,036)	(269,430)
		<u>94,654,341</u>	<u>91,776,174</u>
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Available for sale securities	(16,407,413)	(15,346,840)
	- Fixed Assets	(2,332,118)	(2,396,819)
	- Non-banking assets	(44,713)	(44,713)
		<u>(18,784,244)</u>	<u>(17,788,372)</u>
		<u>75,870,096</u>	<u>73,987,802</u>
23.	CONTINGENCIES AND COMMITMENTS		
	Guarantees	23.1 205,604,863	206,831,672
	Commitments	23.2 1,878,354,622	1,417,860,011
	Other contingent liabilities	23.3 35,332,283	34,820,672
		<u>2,119,291,768</u>	<u>1,659,512,355</u>
23.1	Guarantees:		
	Financial guarantees	174,646,152	137,366,954
	Performance guarantees	30,958,711	69,464,718
		<u>205,604,863</u>	<u>206,831,672</u>
23.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- letters of credit	1,346,846,695	970,274,317
	Commitments in respect of:		
	- forward foreign exchange contracts	23.2.1 527,670,059	419,327,735
	- forward government securities transactions	23.2.2 2,970,040	27,625,340
	Commitments for acquisition of:		
	- operating fixed assets	867,828	632,619
	Other commitments	-	-
		<u>1,878,354,622</u>	<u>1,417,860,011</u>

(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- Rupees in '000 -----	

23.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	325,596,087	272,245,550
Sale	202,073,972	147,082,185
	<u>527,670,059</u>	<u>419,327,735</u>

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated condensed interim 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.

(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- Rupees in '000 -----	

23.2.2 Commitments in respect of forward government securities transactions

Purchase	1,725,502	496,331
Sale	1,244,538	27,129,009
	<u>2,970,040</u>	<u>27,625,340</u>

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

(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- Rupees in '000 -----	

23.3 Other contingent liabilities

23.3.1 Claim against the Group not acknowledged as debt

<u>35,332,283</u>	<u>34,820,672</u>
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Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (December 31, 2020: Rs. 1,597 million).

23.3.2 Taxation

As at June 30, 2021, the status of tax contingencies disclosed in the annual consolidated financial statements for the year ended December 31, 2020 is same, other than the following significant developments and additions:

- The taxation officer has passed assessment order for tax year 2020 on May 31, 2021. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax effect of Rs. 5.92 billion arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.
- PRA through their Order in the appeal Ref: 90/2019 dated 6th February, 2021 re-initiated the proceeding and passed an Order bearing No. NBP/2016/IV/2021 dated 08-01-2021 u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) wherein the demand was reduced to Rs. 330,942,466/- along with penalty amounting to Rs. 16,547,124/- under section 48 and default surcharge (to be calculated at the time of payment) under section 49 of the Act was raised. Against this Order, the Bank has filed an Appeal before the Commissioner (Appeals), PRA on various legal and factual grounds, including alleged levy of Punjab Sales Taxes on Consolidated Pan Pakistan figure. The Bank's tax advisor is confident that the ultimate outcome is expected to be in the Bank's favour.
- The Additional Commissioner, PRA has passed an Order bearing No. NBP/WH/2017-2018/ADC-IV/2021 dated 22-01-2021 u/s 52 of the Act regarding Non withholding of Punjab Sales Tax on Services of certain expenses confronted for the Tax Periods from January-2017 to December-2018 wherein the demand of Rs. 1,263,372,788/- along with penalty amounting to Rs. 1,263,372,788/- under section 48 and default surcharge (to be calculated at the time of payment) under section 49 of the Act was raised. Against this Order, the Bank has filed an Appeal before the Commissioner (Appeals), PRA on various legal and factual grounds, including alleged levy of Punjab Sales Taxes on Consolidated Pan Pakistan figure. The Bank's tax advisor is confident that the ultimate outcome is expected to be in the Bank's

- d) The Additional Commissioner, PRA has passed an order bearing No. NBP/WH/INSURANCE/ADC-IV/2021 dated 08-01-2021 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. 254,734,973/- and Rs. 281,774,950/- 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 amounting to Rs. 198,113,458/- and Rs. 231,089,190/- respectively. The net exposure after rectification would result in Rs. 56,621,515/- and Rs. 50,685,760/- respectively. The Bank is contesting the aforesaid order passed by Additional Commissioner, before the Commissioner (Appeals), PRA wherein apart from other Grounds, the main plea has been raised that Punjab Sales Tax should not be pressed from the Bank when the applicable Sindh Sales Tax on the insurance services has duly been paid in to Sindh Government Treasury and any claim of Punjab Sales Tax on the same transaction can only be recouped from Sindh Revenue Board as inter-provincial adjustment. Based on the legal and factual position, the Bank's tax advisor is confident that the ultimate outcome of the proceeding will be decided in the
- e) The Additional Commissioner, PRA passed an Order bearing No. NBP/2012-2016/IV/2021 dated 27-01-2021 u/s 52 of the Act regarding Non withholding of Punjab Sales Tax on Services of certain registered vendors for the Tax Periods from January-2012 to December-2016 wherein the demand of Rs. 20,520,783/- along with penalty amounting to Rs. 20,520,783/- under section 48 and default surcharge (to be calculated at the time of payment) under section 49 of the Act was raised. Against this Order, the Bank filed an Appeal before the Commissioner (Appeals), PRA wherein apart from the time limitation matter pertaining to tax periods from January-2012 to June-2015, certain factual aspect including non-applicability of withholding sales tax on Punjab is being contested. The ultimate outcome is expected to

23.3.3 Contingencies in respect of employees benefits and related matters

As at June 30, 2021, the status of contingencies disclosed in the annual consolidated financial statements for the year ended December 31, 2020 is same, other than the following significant developments:

23.3.3.1 Pensionary benefits to retired employees

This has been explained in note 26.3.3.1 to the consolidated financial statements of the year ended December 31, 2020. The management's estimate of overall increase in pension liability, based on the independent actuarial firm report for the year ended December 31, 2020 amounted to Rs. 73.4 billion, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for year 2020 onward will also increase by Rs. 7.4 billion due to this decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been made in these consolidated condensed interim financial statements for the above mentioned amount as the Bank is confident about a

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

The current status of these contingencies is same as disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2020.

23.3.4 Compliance and risk matters relating to anti-money laundering at the New York Branch

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 continues to undertake necessary remedial actions to address the regulatory weaknesses highlighted in the 2016 written agreement and those identified in subsequent examinations by the US regulators. However, the Bank remains vulnerable until it completes the required remedial actions and the same are endorsed by the US Regulators.

		(Un-audited) Half year ended June 30, 2021	(Un-audited) Half year ended June 30, 2020
	Note	Rupees in '000	
24. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		42,162,492	57,575,817
Investments		64,120,035	85,476,981
On securities purchased under resale agreements		1,134,324	1,479,838
Balances with other banks		672,738	860,962
		<u>108,089,589</u>	<u>145,393,598</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		39,097,322	61,487,352
Borrowings		3,346,442	4,604,262
Cost of foreign currency swaps against foreign currency deposits		4,243,818	4,514,336
Finance charge on lease liability against right of use assets		433,628	389,616
Securities sold under repurchase agreements		13,484,952	25,812,319
		<u>60,606,162</u>	<u>96,807,886</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		833,992	836,256
Consumer finance related fees		425,873	297,643
Card related fees		905,839	538,743
Credit related fees		99,512	88,373
Investment banking fees		543,347	202,852
Commission on trade		1,080,648	1,018,075
Commission on guarantees		193,175	249,374
Commission on cash management		40,818	1,810
Commission on remittances including home remittances		563,791	428,431
Commission on bancassurance		141,833	93,815
Commission on government transactions		3,981,415	4,894,601
Management fee and sale load		627,046	523,232
Brokerage income		70,687	47,544
Others		28,635	92,969
		<u>9,536,612</u>	<u>9,313,718</u>
27. GAIN ON SECURITIES - NET			
Realised	27.1	4,155,708	3,280,468
Unrealized - held-for-trading	9.1	632	48,399
		<u>4,156,340</u>	<u>3,328,867</u>
27.1 Realised gain on:			
Federal Government Securities		335,792	2,570,855
Shares and mutual funds		3,686,132	290,171
Ijarah Sukuks		10,809	-
Foreign Securities		122,975	419,442
		<u>4,155,708</u>	<u>3,280,468</u>
28. OTHER INCOME			
Rent on property		22,053	5,494
Gain on sale of fixed assets - net		22,068	29,117
Compensation for delayed tax refunds	28.1	881,752	2,376,094
Remittances expense reimbursed by SBP		-	112,861
Others		29,350	20,637
		<u>955,223</u>	<u>2,544,203</u>

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

(Un-audited)	(Un-audited)
Half year ended	Half year ended
June 30, 2021	June 30, 2020
----- Rupees in '000 -----	

29. OPERATING EXPENSES

Total compensation expense

20,894,526	19,884,837
------------	------------

Property expense

Rent and taxes
Insurance
Utilities cost
Security (including guards)
Repair and maintenance (including janitorial charges)
Depreciation
Depreciation on non banking assets
Depreciation on Ijarah assets
Depreciation on right of use assets

401,052	202,724
23,515	27,838
570,393	555,394
1,376,240	1,348,496
423,550	486,407
241,721	214,202
7,731	7,892
38,356	49,107
1,022,961	1,012,114
4,105,519	3,904,173

Information technology expenses

Software maintenance
Hardware maintenance
Depreciation
Amortization
Network charges
IT Manage Services

607,354	526,513
16,059	8,213
153,247	116,727
122,626	106,905
231,151	195,914
118,244	123,365
1,248,681	1,077,638

Other operating expenses

Directors' fees and reimbursement of other expenses
Directors' fees and allowances - subsidiaries
Fees and allowances to Shariah Board
Legal and professional charges
Outsourced services costs
Travelling and conveyance
NIFT clearing charges
Depreciation
Training and development
Postage and courier charges
Communication
Stationery and printing
Marketing, advertisement and publicity
Donations
Contributions for other Corporate and Social Responsibility
Auditors' Remuneration
Financial charges on leased assets
Insurance
Entertainment
Clearing, verification, license fee charges
Vehicle Expenses
Repairs and maintenance
Brokerage
Deposit premium expense
Others

11,497	22,459
5,945	3,795
5,140	4,442
454,528	348,339
347,179	384,487
287,168	220,297
82,707	69,518
797,911	889,445
21,643	29,265
112,139	129,627
161,958	156,030
686,372	512,170
99,063	80,117
-	100
6,201	85,447
103,793	125,205
22,384	20,243
191,128	358,144
114,372	117,812
162,307	173,707
109,188	81,717
233,709	213,961
71,495	46,682
785,553	687,318
204,503	246,589
5,077,882	5,006,916
31,326,608	29,873,564

30. OTHER CHARGES

Penalties imposed by State Bank of Pakistan
Penalties imposed by other regulatory bodies (Central bank of international branches)
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)

24,374	293,155
-	83
498	1,214
24,872	294,452

		(Un-audited) Half year ended June 30, 2021	(Un-audited) Half year ended June 30, 2020
	Note	Rupees in '000	
31. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments	9.2	(167,663)	648,661
Provisions against loans and advances	10.4	7,064,006	14,313,133
Provision against other assets		41,541	619,664
		<u>6,937,884</u>	<u>15,581,459</u>

32. TAXATION			
Current		12,385,115	12,383,820
Deferred		(1,258,416)	(5,904,464)
		<u>11,126,699</u>	<u>6,479,356</u>

33. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the period (Rupees in 000's)		<u>16,980,180</u>	<u>15,066,590</u>
Weighted average number of ordinary shares (000's)		<u>2,127,513</u>	<u>2,127,513</u>
Earnings per share - basic and diluted (Rupees)		<u>7.98</u>	<u>7.08</u>

		(Un-audited) Half year ended June 30, 2021	(Un-audited) Half year ended June 30, 2020
		Rupees in '000	
34. CASH AND CASH EQUIVALENT			
Cash and balances with treasury banks		383,640,756	286,912,987
Balances with other banks		18,925,058	32,842,413
Call money lendings		2,009,723	3,140,800
Call money borrowings		(18,865,920)	(14,171,414)
Overdrawn nostro		(2,536,363)	(8,259,094)
		<u>383,173,254</u>	<u>300,465,692</u>

35. FAIR VALUE MEASUREMENTS

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

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

35.1 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:

June 30, 2021 (Un-audited)					
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	941,593,524	-	941,593,524	-	941,593,524
Pakistan Investment Bonds	469,425,831	-	469,425,831	-	469,425,831
Ijarah Sukuks	8,102,120	-	8,102,120	-	8,102,120
Ordinary shares of listed companies	45,512,879	45,512,879	-	-	45,512,879
Investment in mutual funds	2,642,476	-	2,642,476	-	2,642,476
Preference shares	1,289,600	1,289,600	-	-	1,289,600
Term Finance Certificates / Musharika and Sukuk Bonds	49,499,854	6,285,000	43,214,854	-	49,499,854
GoP Foreign Currency Bonds	11,880,788	-	11,880,788	-	11,880,788
Foreign Government Securities	1,922,498	-	1,922,498	-	1,922,498
Ordinary shares of a bank outside Pakistan	23,573,040	23,573,040	-	-	23,573,040
	1,555,442,610	76,660,519	1,478,782,091	-	1,555,442,609

Financial assets - disclosed but not measured at fair value

Market Treasury Bills	49,136,078	-	49,176,750	-	49,176,750
Pakistan Investment Bonds	193,226,011	-	194,532,410	-	194,532,410
GoP Foreign Currency Bonds	2,742,447	-	2,777,878	-	2,777,878
Foreign Government Securities	31,827,320	-	36,656,970	-	36,656,970
Foreign Currency Debt Securities	608	-	609	-	609
Associates	640,450	208,320	432,130	-	640,450
	277,572,914	208,320	283,576,747	-	283,785,067
	1,833,015,524	76,868,839	1,762,358,838	-	1,839,227,676

Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	527,670,059	-	(1,758,364)	-	(1,758,364)
Forward government securities transactions	2,970,040	-	1,390	-	1,390

December 31, 2020 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	626,248,790	-	626,248,790	-	626,248,790
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	48,089,192	48,089,192	-	-	48,089,192
Investments in mutual funds	2,291,013	-	2,291,013	-	2,291,013
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Term Finance Certificates / Musharika and Sukuk Bonds	55,910,547	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	71,121,820	1,174,468,563	-	1,245,590,383

December 31, 2020 (Audited)				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				

Financial assets - disclosed but not measured at fair value

Pakistan Investment Bonds	168,676,415	-	171,760,622	-	171,760,622
Foreign Government Securities	32,418,809	-	37,154,346	-	37,154,346
Foreign Currency Debt Securities	618	-	618	-	618
Associates	561,083	181,676	379,408	-	561,083
	201,656,925	181,676	209,294,994	-	209,476,669
	1,447,247,308	71,303,496	1,383,763,557	-	1,455,067,052

Off-balance sheet financial instruments - measured at fair value

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

Valuation techniques used in determination of fair valuation of financial instruments within level 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
Mutual Funds	MUFAP
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

35.2 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:

June 30, 2021 (Un-audited)				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				
Land & building (property and equipment)	48,566,621	-	48,566,621	48,566,621
Non-banking assets acquired in satisfaction of claims	3,960,598	-	3,960,598	3,960,598
	52,527,219	-	52,527,219	52,527,219

December 31, 2020 (Audited)				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				
Land & building (property and equipment)	48,770,485	-	48,770,485	48,770,485
Non-banking assets acquired in satisfaction of claims	3,968,329	-	3,968,329	3,968,329
	52,738,814	-	52,738,814	52,738,814

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Half year ended June 30, 2021 (Un-audited)						
Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Head Office / Others	Sub total
						Eliminations
						Total
Rupees in '000						

Profit and loss account

Net mark-up / return / interest income / (expense)	7,988,828	13,732,637	47,451,761	1,530,097	2,655,991	47,483,427	47,483,427
Inter segment revenue - net	(6,551,100)	(12,140,047)	(38,828,882)	-	7,740,907	-	-
Non mark-up / return / interest income	179,407	2,202,382	7,380,652	686,787	1,999,426	18,980,009	18,980,009
Total Income	1,617,135	3,794,972	16,003,531	2,186,884	12,395,925	66,463,436	66,463,436
Segment direct expenses	14,850,830	530,334	189,565	2,677,435	2,265,768	21,937,674	21,937,674
Inter segment expense allocation	-	-	-	-	9,413,806	9,413,806	9,413,806
Total expenses	14,850,830	530,334	189,565	2,677,435	11,679,574	31,351,480	31,351,480
Provisions and write offs - net	513,453	5,613,241	(142,019)	(64,910)	315,788	6,937,884	6,937,884
Profit / (loss) before taxation	15,100,705	(508,940)	15,955,985	(425,641)	400,564	28,174,072	28,174,072

June 30, 2021 (Un-audited)						
Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Head Office / Others	Sub total
Eliminations						
Total						
Rupees in '000						

Statement of financial position

Cash and balances with treasury and other banks	183,104,640	253,563	147,231,365	46,306,956	9,468,393	402,565,814	402,565,814
Investments	-	23,699,717	1,729,320,509	46,873,542	53,020,334	1,852,914,100	1,852,914,100
Net inter segment lending	1,917,300,666	-	-	-	223,331,588	2,140,632,254	(2,140,632,254)
Lendings to financial institutions	-	-	180,790,708	-	-	180,790,708	180,790,708
Advances - performing	180,978,966	196,132,404	533,592,010	40,634,547	43,994,716	995,332,643	995,332,643
- non-performing	4,176,740	19,115,630	54,690,053	41,438,043	65,482,456	184,902,922	184,902,922
Provision against advances	(8,840,017)	(17,273,109)	(52,713,123)	(40,449,350)	(63,937,393)	(183,212,990)	(183,212,990)
Advances - Net	176,315,690	197,974,925	535,568,940	41,623,240	45,539,779	997,022,576	997,022,576
Others	28,319,810	2,639,239	42,060,287	4,271,962	114,210,038	191,690,551	191,690,551
Total Assets	2,305,040,806	216,715,061	2,057,631,807	139,075,700	445,570,132	5,765,616,003	3,624,983,749

Borrowings	-	53,523,120	365,936,629	18,865,920	-	442,256,518	442,256,518
Deposits and other accounts	2,256,169,299	271,560,666	-	65,365,577	85,948,620	2,679,044,162	2,679,044,162
Net inter segment borrowing	-	239,339,987	1,634,762,343	52,005,987	5,995,451	2,140,632,254	(2,140,632,254)
Others	48,871,507	4,255,725	36,914,841	2,410,598	107,791,524	211,213,506	211,213,506
Total liabilities	2,305,040,806	216,715,061	2,011,668,283	138,682,082	199,735,595	5,473,146,440	3,332,514,186
Equity	-	-	45,963,524	427,618	245,834,537	292,469,563	292,469,563
Total equity and liabilities	2,305,040,806	216,715,061	2,057,631,807	139,075,700	445,570,132	5,765,616,003	3,624,983,749

Contingencies and commitments

-	68,697,728	1,464,614,971	527,670,058	22,008,506	36,300,505	2,119,291,768	2,119,291,768
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Profit and loss account

Net mark-up / return / interest income / (expense)	
Inter segment revenue - net	
Non mark-up / return / interest income	
Total Income	
Segment direct expenses	
Inter segment expense allocation	
Total expenses	
Provisions and write offs - net	
Profit / (loss) before taxation	

Half year ended June 30, 2020 (Un-audited) (Restated)					
Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Head Office / Others
Rupees in '000					
(53,526,630)	12,217,805	28,191,240	56,471,599	1,421,496	2,810,203
80,335,272	(10,991,897)	(25,845,882)	(47,459,964)	-	3,962,471
6,546,092	727,352	1,164,223	6,117,275	1,140,994	3,058,598
33,354,733	1,953,260	4,509,581	15,128,910	2,562,490	9,831,271
13,429,028	1,327,737	372,501	159,110	2,372,982	1,936,458
-	-	-	-	-	10,570,200
13,429,028	1,327,737	372,501	159,110	2,372,982	12,506,658
233,214	5,845,927	8,712,389	399,501	(266,259)	656,685
19,692,491	(5,220,405)	(4,575,309)	14,570,299	455,766	(3,332,072)
					21,590,770
					21,590,770

December 31, 2020 (Audited) (Restated)					
Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Head Office / Others
Rupees in '000					
148,446,514	9,809,667	281,210	49,710,033	47,960,766	8,776,741
-	-	31,393,587	1,340,556,530	46,098,046	48,357,210
1,716,041,623	-	-	-	-	192,585,019
-	-	-	126,802,025	-	2,650
232,021,162	128,340,996	538,861,528	-	43,633,881	46,262,759
4,007,870	22,497,098	47,548,441	-	42,345,094	55,414,108
(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(55,758,937)
227,645,519	131,299,642	534,295,432	-	44,712,896	45,917,930
24,462,197	1,826,589	22,588,501	366,297	3,972,925	122,127,117
2,116,595,853	142,735,878	588,558,730	1,517,434,885	142,744,633	417,766,667
					4,925,836,633
					(1,908,626,642)
					3,017,209,992
					3,017,209,992

Statement of financial position

Cash and balances with treasury and other banks	
Investments	
Net inter segment lending	
Lendings to financial institutions	
Advances - performing	
- non-performing	
Provision against advances	
Advances - net	
Others	
Total Assets	

148,446,514	9,809,667	281,210	49,710,033	47,960,766	8,776,741	264,984,932	-	-	264,984,932
-	-	31,393,587	1,340,556,530	46,098,046	48,357,210	1,466,405,373	-	-	1,466,405,373
1,716,041,623	-	-	-	-	192,585,019	1,908,626,642	(1,908,626,642)	-	-
-	-	-	126,802,025	-	2,650	126,804,675	-	-	126,804,675
232,021,162	128,340,996	538,861,528	-	43,633,881	46,262,759	989,120,326	-	-	989,120,326
4,007,870	22,497,098	47,548,441	-	42,345,094	55,414,108	171,812,612	-	-	171,812,612
(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(55,758,937)	(177,061,517)	-	-	(177,061,517)
227,645,519	131,299,642	534,295,432	-	44,712,896	45,917,930	983,871,421	-	-	983,871,421
24,462,197	1,826,589	22,588,501	366,297	3,972,925	122,127,117	175,143,591	-	-	175,143,591
2,116,595,853	142,735,878	588,558,730	1,517,434,885	142,744,633	417,766,667	4,925,836,633	(1,908,626,642)	-	3,017,209,992

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

2,068,891,897	3,511,852	46,688,596	86,290,983	2,047,575	-	138,539,005	-	-	138,539,005
-	-	200,011,969	-	73,225,543	76,799,062	2,418,928,469	-	-	2,418,928,469
-	136,108,152	323,788,034	1,375,268,749	63,868,561	9,593,146	1,908,626,642	(1,908,626,642)	-	-
47,703,958	3,115,875	17,857,441	12,387,953	3,138,352	101,136,660	185,340,236	-	-	185,340,236
2,116,595,854	142,735,878	588,346,040	1,473,947,685	142,280,030	187,528,868	4,851,434,352	(1,908,626,642)	-	2,742,807,710
-	-	212,890	43,487,200	464,603	230,237,799	274,402,282	-	-	274,402,282
2,116,595,853	142,735,878	588,558,730	1,517,434,885	142,744,633	417,766,667	4,925,836,633	(1,908,626,642)	-	3,017,209,992

Contingencies and commitments

557,277,573	-	1,046,103,666	-	20,577,429	35,553,685	1,659,512,355	-	-	1,659,512,355
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37. 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 9 of the consolidated condensed interim 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 period, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

	June 30, 2021 (Un-audited)						December 31, 2020 (Audited)											
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
Rupees in '000																		
Balances with other banks																		
In current accounts	-	-	-	404,658	-	-	-	-	-	-	-	-	2,951	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	404,658	-	-	-	-	-	-	-	-	2,951	-	-	-	-	-
Advances																		
Opening balance	-	233,267	2,981,029	-	-	-	-	-	305,117	-	228,805	3,046,662	-	-	-	-	-	23,386,325
Addition during the period / year	-	114,534	-	-	-	-	-	-	33,294,415	-	64,850	-	-	-	-	-	-	115,824,347
Repaid during the period / year	-	(25,915)	(15,625)	-	-	-	-	-	(31,840)	-	(31,840)	(65,633)	-	-	-	-	-	(115,673,058)
Transfer in / (out) - net*	-	(70,438)	-	-	-	-	-	-	(6)	-	(28,546)	-	-	-	-	-	-	(23,232,497)
Closing balance	-	251,448	2,965,404	-	-	-	-	-	247,914	-	233,267	2,981,029	-	-	-	-	-	305,117
Provisions against loans																		
	-	-	2,837,287	-	-	-	-	-	-	-	-	2,837,287	-	-	-	-	-	-
Other Assets																		
Interest / mark-up accrued	-	-	1,719,988	-	-	-	-	-	-	-	-	1,720,157	-	-	-	-	-	-
Borrowings																		
Opening balance	-	-	-	9,111	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
Borrowings during the period / year	-	-	-	36,026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the period / year	-	-	-	-	-	-	-	-	-	-	-	-	(270,703)	-	-	-	-	-
Closing balance	-	-	-	45,137	-	-	-	-	-	-	-	-	9,111	-	-	-	-	-
Deposits and other accounts																		
Opening balance	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	227,967	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083
Received during the period / year	5,000	519,562	-	-	9,434,699	-	1,966,589	848,604	1,548,162	8,672	713,917	-	-	47,037,983	-	3,054,527	1,941,908	708,790
Withdrawn during the period / year	(3,603)	(502,310)	-	-	(9,336,816)	-	(3,021,741)	(851,098)	(449,758)	(11,228)	(620,573)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)
Transfer in / (out) - net*	(12)	(11,018)	-	-	-	-	-	-	-	41	(10,823)	-	-	-	-	-	-	(40,266,774)
Closing balance	2,704	183,470	-	-	156,754	-	314,492	13,279,522	1,326,371	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	227,967
Contingencies and commitments																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

June 30, 2021 (Un-audited)						June 30, 2020 (Un-audited)					
Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Others	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Others
Rupees in '000											

Income

Mark-up / return / interest earned	-	5,613	5	-	-	4,979	-	10,966	9	-	-	12,820
Rent income / lighting and power and bank charges	-	2,554	-	-	-	-	-	2,319	-	-	-	9,723

Expense

Mark-up / return / interest paid	-	-	33	38,037	724,844	5,109	-	-	293	52,784	721,268	2,140
Expenses paid to company in which Director of the bank is interested as	-	-	-	-	-	18,668	-	-	-	-	-	5,632
Remuneration to key management executives including charge for defined benefit plan	347,228	-	-	-	-	-	220,761	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	1,044	-	-	-	-	-	1,044

37.1 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. 3,981 million for the half year ended June 30, 2021. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 385,039 million, Rs. 1,100,976 million and Rs. 1,327,587 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 15,798 million and Rs. 27,401 million respectively.

38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement

Paid-up capital (net of losses)

(Un-audited)
June 30,
2021
----- Rupees in '000-----
(Audited)
December 31,
2020

21,275,131 21,275,131

Capital Adequacy Ratio

Eligible Common Equity Tier 1 Capital

Eligible Additional Tier 1 Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

194,334,503 176,735,007

- -

194,334,503 176,735,007

64,211,414 56,705,915

258,545,917 233,440,922

Risk Weighted Assets

Credit Risk

Market Risk

Operational Risk

Total

865,447,942 862,944,817

73,757,094 88,080,262

210,140,934 210,140,934

1,149,345,970 1,161,166,013

Common Equity Tier 1 Capital Adequacy ratio

16.91% 15.22%

Tier 1 Capital Adequacy Ratio

16.91% 15.22%

Total Capital Adequacy Ratio

22.50% 20.10%

Leverage Ratio

Tier-1 Capital

Total Exposures

Leverage Ratio

194,334,503 176,735,007

5,248,007,058 4,249,194,554

3.70% 4.16%

Liquidity Coverage Ratio

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

1,212,439,564 1,200,257,790

765,625,825 666,722,922

158% 180%

Net Stable Funding Ratio

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

2,521,698,592 2,309,310,465

893,907,284 901,126,786

282% 256%

39. ISLAMIC BANKING BUSINESS

The bank is operating 190 (December 31, 2020: 191) Islamic banking branches and no Islamic banking windows at the half year ended June 30, 2021.

		(Un-audited) June 30, 2021	(Audited) December 31, 2020
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks		7,620,868	5,713,009
Balances with other banks		12,199	11,948
Investments	39.1	46,097,726	42,109,641
Islamic financing and related assets - net	39.2	37,290,273	37,546,704
Fixed assets		128,184	148,884
Right of use assets		699,593	755,116
Other assets		2,218,185	2,676,118
Total Assets		94,067,028	88,961,420
LIABILITIES			
Bills payable		443,326	339,103
Deposits and other accounts	39.3	84,839,634	75,268,262
Due to Head Office		517,646	4,124,758
Lease liability against right of use assets		877,211	903,196
Other liabilities		1,401,129	2,198,144
		88,078,946	82,833,463
NET ASSETS		5,988,082	6,127,957
REPRESENTED BY			
Islamic Banking Fund		4,646,000	3,360,000
Surplus on revaluation of assets		685,749	659,569
Unappropriated / unremitted profit	39.4	656,333	2,108,388
		5,988,082	6,127,957

The profit and loss account of the Bank's Islamic banking branches for the half year ended June 30, 2021 is as follows:

		(Un-audited) Half year ended June 30, 2021	(Un-audited) Half year ended June 30, 2020
		Rupees in '000	
Profit / return earned	39.5	3,270,388	4,383,147
Profit / return expensed	39.6	1,412,113	2,002,606
Net Profit / return		1,858,275	2,380,541
Other income			
Fee and commission income		109,890	198,966
Foreign exchange income		19,579	36,760
Other income		259	708
Total other income		129,728	236,434
Total Income		1,988,003	2,616,975
Other expenses			
Operating expenses		1,331,407	1,123,947
Other charges		475	1,605
		1,331,882	1,125,552
Profit before provisions		656,121	1,491,423
Provisions charge / (reversal) and write offs - net		(212)	99,779
Profit before taxation		656,333	1,391,644
Taxation		-	-
Profit after taxation		656,333	1,391,644

39.1 Investments by segments:

Federal Government Securities:

-Ijarah Sukuks
-Others (Bat Muajjal with GOP @ 13.30%)

Non Government Debt Securities

-Listed
-Unlisted

Total Investments

June 30, 2021 (Un-audited)				December 31, 2020 (Audited)			
Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
8,001,105		53,894	8,054,999	6,000,000	-	15,600	6,015,600
12,258,184	-	-	12,258,184	11,641,133	-	-	11,641,133
20,259,289	-	53,894	20,313,183	17,641,133	-	15,600	17,656,733
===== Rupees in '000 =====							
8,300,000		316,319	8,616,319	8,400,000	-	311,740	8,711,740
16,983,495	(130,807)	315,536	17,168,224	15,539,747	(130,807)	332,228	15,741,168
25,283,495	(130,807)	631,855	25,784,543	23,939,747	(130,807)	643,968	24,452,908
45,542,784	(130,807)	685,749	46,097,726	41,580,880	(130,807)	659,568	42,109,641

(Un-audited) (Audited)
June 30, December 31,
2021 2020
----- Rupees in '000 -----

39.2 Islamic financing and related assets - net

Ijarah
Murabaha
Diminishing Musharaka
Istisna
Other Islamic Modes (Wakala tul Istismar, Tijarat)
Advances against Islamic assets (Murabaha, DM, Istisna, Musawama)
Inventory related to Islamic financing (Istisna and Tijarat)
Gross Islamic financing and related assets
Less: provision against Islamic financings
- Specific
- General

130,282	168,788
1,763,901	3,464,401
19,012,724	17,614,309
50,000	50,000
8,800,000	8,500,000
7,509,226	8,076,678
627,000	275,600
37,893,133	38,149,776

(602,763)	(602,913)
(97)	(159)
(602,860)	(603,072)
37,290,273	37,546,704

Islamic financing and related assets - net of provision

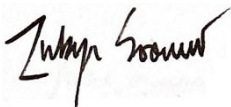
	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	----- Rupees in '000 -----	
39.3 Deposits		
Customers		
Current deposits	21,759,683	26,474,979
Savings deposits	42,806,167	33,051,442
Term deposits	8,195,527	10,129,005
	<u>72,761,377</u>	<u>69,655,426</u>
Financial Institutions		
Current deposits	642,139	778,039
Savings deposits	11,224,390	3,633,797
Term deposits	211,728	1,201,000
	<u>12,078,257</u>	<u>5,612,836</u>
	<u>84,839,634</u>	<u>75,268,262</u>
39.4 Unappropriated / unremitted profit		
Opening Balance	2,108,388	2,039,140
Add: Islamic banking profit for the period	656,333	2,108,388
Less: Transferred / remitted to head office	(2,108,388)	(2,039,140)
Closing balance	<u>656,333</u>	<u>2,108,388</u>
	(Un-audited) Half year ended June 30, 2021	(Un-audited) Half year ended June 30, 2020
	----- Rupees in '000 -----	
39.5 Profit / return earned		
Profit earned on:		
Financing	1,366,254	2,342,843
Investments	1,286,787	1,401,918
Placements	295	5,380
Others (Bai Muajjal)	617,052	633,006
	<u>3,270,388</u>	<u>4,383,147</u>
39.6 Profit / return expensed		
Deposits and other accounts	1,158,711	1,746,341
Finance charge on right of use assets	41,669	47,676
Others (General Account)	211,733	208,589
	<u>1,412,113</u>	<u>2,002,606</u>

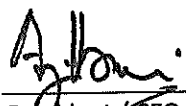
40. GENERAL

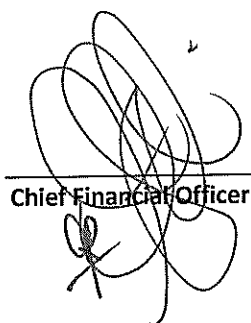
40.1 Figures have been rounded off to the nearest thousand rupees.

41. DATE OF AUTHORIZATION FOR ISSUE


The consolidated condensed interim financial statements were authorized for issue on 26 AUG 2021 by the Board of Directors of the Bank.


Chairman


President / CEO


Chief Financial Officer


Director


Director

HEAD OFFICE:

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