

BUILDING RESILIENCE CREATING OPPORTUNITIES



| QUARTERLY REPORT SEPTEMBER 2021 |



NBP

National Bank of Pakistan

نیشنل بینک آف پاکستان

**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 Mr. Arif Usmani
President & CEO	

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

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

Directors' Report to the Shareholders

Standalone Financial Statements

Dear Shareholders,

We have pleasure in presenting to you, on behalf of the Board of Directors "the Board", standalone financial statements of the Bank for the nine-month period ended September 30, 2021.

Macroeconomic Environment

The global economy rebounded driven by strong growth from a few major economies. In Pakistan, the economy is on a path supported by better performance by the industry and services sectors. For FY22, more inclusive and sustainable economic growth of > 4% is expected as consumer confidence and business activity has improved amid the ongoing vaccination rollout and various economic stimulus measures announced by the Government. However, there are clear downside pressures to the economic outlook e.g. rising international commodity prices, particularly oil, and regional political dynamics.

Most domestic demand indicators e.g. automobiles, POL, cement and power continue to show robust growth reflected by the growth in LSM imports and also in tax revenues. Due to rising international commodity prices, unusual growth in imports impacted the current account deficit which was \$1.5 Bn in August. While remittances remained strong, growing by 10.4% YoY during July-August, and exports have also performed reasonably well (averaging \$2.3 Bn per month), these were outstripped by the growth in the import bill. With the recent widening of the current account deficit, the Rupee has recorded a depreciation by around 9% in Q1-FY22. Average inflation during the period stood within the projected range of 8-9%.

With these trends in view, the SBP has recently begun to tighten monetary policy with a 25bps increase in the policy rate that was kept accommodative at 7% since July 2020. Also certain macro-financial measures introduced in 2020 (e.g. loan deferrals, some credit subsidies and delayed recognition of impairments in investments) have expired. With inflows of \$2.7 Bn in September, workers' remittances continued their strong momentum and remained above \$2 Bn since Jun'20. Overseas Pakistanis sent the highest-ever \$8 Bn remittances during the first quarter of the current fiscal year, registering a 12.5% growth, YoY. Consequently, at the end Sep'21 the country's FX reserves stood high at USD 26.0 Bn (Sep'20: USD 19.4 Bn). FX reserves are expected to strengthen further as and when talks between the IMF and the Pakistan government on the sixth review of the \$6 Bn Extended Fund Facility are satisfactorily concluded.

Financial Performance for the period ended September 30, 2021

Despite the continued challenging environment, the Bank has delivered strong financial results for the nine-months period ended September 30, 2021. This demonstrates the resilience of the Bank's business model and the efforts of its staff during this period.

■ Profitability (PKR 'Bn)

KPI	Sep'21	Sep'20	Better / (Worse)	
NII	72.4	79.8	(7.5)	(9.3%)
NFI	27.1	27.7	(0.6)	(2.2%)
Total Income	99.5	107.6	(8.1)	(7.5%)
Admin Expenses	47.0	45.0	(2.0)	(4.5%)
Profit Before Provisions	52.5	62.6	(10.1)	(16.1%)
Provisions and write offs – net	12.2	23.3	11.1	47.5%
Profit Before Tax	40.2	39.3	1.0	2.5%
Profit After Tax	24.1	26.1	(2.0)	(7.6%)
Earnings Per Share (Rs.)	11.35	12.28	(0.9)	(7.6%)

■ Mark-up/Interest Income

During the period under review, the Bank earned gross mark-up/interest income of PKR 166.5 Bn (-19.2%, YoY). Performing interest-bearing assets averaged PKR 2,656.4 Bn, being marginally higher by 9.9%, YoY. On the back of sharp cut in the policy rates to dampen the impact of Covid-19, average rate for 9M'21 remained around 7.0% i.e. 2.6ppt below 9.6% in 9M'20. Consequent repricing of the interest bearing assets at much lower KIBOR resulted in a reduction in mark-up/interest income in the recent quarters. This reduction triggered a significant YoY drop in both interest/mark-up earnings and expense.

The Bank's investment portfolio averaged PKR 1,633.8 Bn (Sep'20: PKR 1,393.9 Bn) and generated interest/mark-up income of PKR 100.3 Bn. Whereas, loans and advances portfolio averaged at PKR 968.7 Bn (Sep'20: PKR 972.3 Bn) and generated a mark-up/interest income of PKR 63.4 Bn. Average interest-bearing liabilities increased by 6.2% to PKR 2,609.9 Bn (Sep'20: PKR 2,458.5 Bn). Whereas, cost of funds closed at PKR 94.1 Bn (Sep'20: PKR 126.2 Bn (-25.4%, YoY), of which 65.5% i.e. PKR 61.7 Bn (Sep'20: PKR 82.3 Bn) was on account of profit to the depositors. Average deposits of the Bank grew by PKR 150.1 Bn or 7.6% YoY to PKR 2,124.3 Bn. However, given our efficient deposit-mix strategy, average non-interest bearing deposits increased by PKR 51.5 Bn contributing towards a drop in overall cost of deposits that reduced by 170 bps at 3.88% compared to 5.58% of the same period last year. Mark-up/interest expense incurred during the period under review on Repo transactions amounted to PKR 20.5 Bn as compared to PKR 30.7 Bn of the corresponding 9M'20.

PKR 'Bn Mark-up Income



Consequently, the Bank's net mark-up/interest income closed at PKR 72.4 Bn, 9.3% lower than PKR 79.8 Bn earned during the corresponding nine-month period of 2020 but as the gains in 2020 were recognised to be non recurring, this was still better than budget.

SBP has stipulated that, starting December 31, 2020, financing for housing & construction (residential and non-residential) should be at least 5% of the Bank's total domestic private sector credit for each calendar quarter. Whereas, the banks falling short of their quarterly financing target will have to maintain a higher cash reserve ratio, in the next quarter, by the amount equivalent to the deficit in achieving the financing target, as of the relevant quarter end. This punitive additional CRR has inflicted a drag on the Bank's interest income.

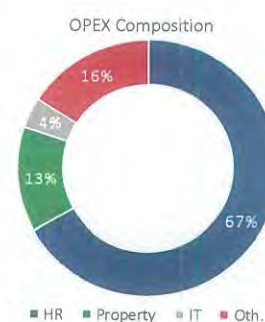
■ Non mark-up/interest income

The Bank generated non mark-up income of PKR 27.1 Bn, marginally 2.2% lower YoY. Fee & Commission income that constitutes a major 47% share of the total NFI, amounted to PKR 12.7 Bn similar to PKR 12.8 Bn of 9M'20. As corporates have recently resumed dividend pay-outs (which wasn't the case in 9M'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 114.0% to PKR 2.8 Bn compared to PKR 1.3 Bn of 9M'20. Forex income of the Bank also recorded a significant YoY growth as it closed at PKR 4.8 Bn as compared to PKR 3.4Bn of SPLY. Growth in FE income was mostly observed during Q3'21. The Bank realised equity gains on securities to the tune of PKR 5.4 Bn (9M'20: PKR 6.9 Bn).

Accordingly, the non-mark-up/interest income of the Bank totalled at PKR 27.1 Bn, being 2.2% lower than PKR 27.7 Bn of the corresponding nine-month period of prior year.

■ Expense Management

Non mark-up / interest expense of the Bank for the period under review amounted to PKR 47.0 Bn, being 4.5% up, YoY. Given the lower total income, the Bank's cost-to-income ratio for the period weakened to 47.3% as against 41.7% for the corresponding nine-month period of 2020. However, expenses incurred during the period are in line with the industry norms. HR compensation that accounts for around 66.8% of the total operating expenses, amounted to PKR 31.39 Bn compared to PKR 29.73 Bn for the corresponding nine-month period of 2020, reflecting, among other things, the impact of promotions which were last implemented in 2017. While Property related expenses amounted to PKR 6.22 Bn (9M'20: PKR 5.66 Bn), IT related expenses were PKR 1.85 Bn (9M'20: PKR 1.67 Bn). Other operating expenses declined by 1.4%.



■ Loan Losses and Provisions

Reflecting the economic environment triggered by the Covid-19 pandemic and earlier portfolio weaknesses, the asset quality of the Bank has come under considerable pressure in the recent months. As of September 30, 2021, NPLs of the Bank totaled PKR 201.66 Bn, being PKR 30.37 Bn or 17.7% higher than PKR 171.29 Bn at YE20.

The Bank prudently identifies loan impairments under the expected credit loss model to strengthen its balance sheet by maintaining a robust level of provisions. The Bank's financial results, which show strong increase in earnings, also demonstrate its resilience and ability to build the necessary cushion to absorb credit losses. Accordingly, a net provision charge of PKR 12.2 Bn (Sep'20: PKR 23.3 Bn) has been created. Consequently, the specific and general provisions held stood at PKR 178.6 Bn (Dec'20: PKR 154.2 Bn) and PKR 12.4 Bn (Dec '20: PKR 22.5 Bn), respectively. Gross NPL Ratio, Net NPL Ratio and provision coverage stood at 16.7%, 2.3% and 88.6% at the end of period under review as compared to 14.8%, 1.7% and 90.0% as of Dec 31, 2020, respectively. Inclusive of general provisions, the NPL coverage is at 95% in September 2021.

■ Profit After-Taxation

Profit after-tax for the nine-months period ended September 30, 2021 amounted to PKR 24.1 Bn i.e. 7.6% lower than PKR 26.1 Bn of 9M'20 and has been impacted by the effective tax rate rising to 40.0% vs. 33.4% for the corresponding period last year.

The government, in the Federal Budget-2022, has imposed a 2.5% additional tax on banks if their Advances to Deposit Ratio falls below 50%; and 5% if the ADR goes below 40%. While the banking industry is already subject to a super tax charge of 4%, this additional tax has adversely affected the after-tax profitability of the banks.

■ Appropriation of Profit

Profit for the nine-month period ended September 30, 2021 after carry forward of accumulated profit of 2020 is proposed to be appropriated as follows:

	(PKR 'Bn)
Profit after tax for the nine-month period ended September 30, 2021	24.14
Un-appropriated profit brought forward	116.02
Other comprehensive income - net of tax	(0.38)
Transfer from surplus on revaluation of fixed assets	0.18
Profit available for appropriations	139.96
Appropriation:	
Transfer to Statutory Reserve	(2.41)
Un-appropriated profit carried forward	137.55

Financial Position as at September 30, 2021

As of September 30, 2021 total assets of the Bank amounted to PKR 3,823.5 Bn which is 27.1% above the year-end 2020 level of PKR 3,008.5 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 sluggish loan demand in the private sector, gross advances of the Bank grew marginally by 4.1% to PKR 1,207.7 Bn from PKR 1,159.9 Bn as at December 31, 2020. The Bank's net advances recorded a marginal growth of 3.4% to PKR 1,016.7 Bn from PKR 983.3 Bn at YE'20. The Bank is pursuing a more conservative and risk-prudent strategy for loan growth focused on reducing concentrations of exposure in line with learnings from recent NPL situations and ensuring these are not repeated.

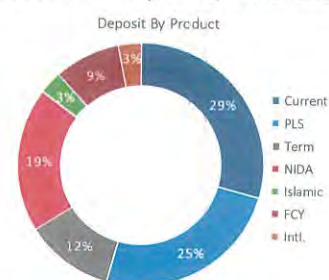
■ Investments

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 September 30, 2021, investments at cost amounted to PKR 2,109.3 Bn (Dec'20: PKR 1,437.4 Bn), whereas the carrying value amounted to PKR 2,130.7 Bn (Dec'20: PKR 1,463.4 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 September 30, 2021, total deposits of the Bank were PKR 2,551.6 Bn being 5.5% higher against year-end, 2020 level of PKR 2,419.0 Bn. The vast majority of the Bank's funding comes from its core customer deposit base which has continued to grow during 9M'2021. Customer deposits pool-in 87.2% (PKR 2,224.6 Bn) of the Bank's total deposits. Compared to Dec 31, 2020 level, customer deposits have increased by PKR 204.0 Bn or 10.1%. Non-remunerative current deposits are significant at 26.2% of the total customer deposits; whereas remunerative, but low cost, current accounts deposits comprised 22.5%. On a positive note, the Bank's CASA ratio also improved to 84.2% (2020: 83.8%).

Liquidity profile 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 170% and 270% at Sep'21, respectively vis-à-vis regulatory requirements of 100% for each.



Going forward, the Bank is exposed to the implementation of the Treasury Single Account, where the deposits of the federal government and certain agencies will be required to be held at the SBP instead of various commercial banks. This will lead to some deposit outflows from banks. While this measure is meant to strengthen the fiscal position of the Government, it brings with it strong implications for the banking sector. Clearly a deposit migration of this size from commercial banks can have a major implication for commercial banks in terms of liquidity and profitability, as these deposits act as a significant funding source for their assets. For NBP, in particular, being saddled with government guaranteed PSE debt that is not being serviced, this development is unfortunate.

■ Capital Strength and Adequacy

The Bank is currently required to maintain CET-1 Ratio at 9.5% and Total Capital Adequacy Ratio at 13.5%. At September 30, 2021 the Bank's eligible common equity Tier-1 amounted to PKR 197.3 Bn, 14.1% up against PKR 172.9 Bn at the year-end 2020. At end September 2021, the total Risk Weighted Assets "RWAs" amounted to PKR 1,181.6 Bn (Dec '20: PKR 1,153.1 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 16.70% (Dec '20: 14.99%) and total capital adequacy ratio to 22.20% (Dec '20: 19.78%). Both the ratios are thus fully compliant with regulatory requirements. Net Assets at end September'21 stood at PKR 290.0 Bn i.e. 8.4% or PKR 22.4 Bn. This translates into a break-up value per share at PKR 136.3, depicting a 40% growth from PKR 97.2 at the beginning of the year 2019.

Closure of foreign Subsidiaries and Branches

Necessary steps are underway to consolidate the Bank's international footprint and decisions on the closure of two (02) overseas subsidiaries along with three (03) overseas branches. Further the Bank's operations in Afghanistan have been limited only to its Kabul branch and In Bangladesh, plans are to restrict operations to the capital city Dhaka after necessary regulatory approvals.

Internal Control & Compliance

The Bank remains committed to ensuring compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance. To this end, we have given strategic directions to invest in new technological platforms for effective AML/CFT/CPF controls, data accuracy and authenticity, internal controls over the financial reporting, etc.

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, as well as observations from subsequent Reports of Examination by US regulators, required the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US Bank Secrecy Act requirements. The requirements also required enhancement and implementation of requisite systems and controls, as well as the allocation of adequate resources to ensure full compliance. The Bank continues to undertake necessary remedial actions to address the regulatory weaknesses highlighted in the 2016 Agreement and in subsequent examinations. However, the Bank remains vulnerable due to the weak corporate culture and processes for at least the prior decade and the perceptions this built up in the minds of overseas regulators.

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 the overall increase in pension liabilities, based on the independent actuarial firm's report amounted to PKR 74.6 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 7.8 Bn due to any such adverse 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 about a favourable outcome on 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 is pleased to appoint Mr. Ahsan Ali Chughtai as 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 and one seat continues to be vacant on the board for which NBP has been seeking a director with expertise in I.T.

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

The continued rollout of the COVID-19 vaccination program, structural reforms, and the expansion of social protection programs are all key to ensuring inclusive and sustainable growth towards achieving the forecast growth of up to 4.8%. Fiscal incentives and policies to boost export competitiveness, bolster the performance of the manufacturing sector and augment private investment will continue to play an instrumental role in strengthening the economic outlook. However, some volatility may be expected amidst the recent geo-political changes in the region. While policy responses are expected to remain accommodative and soften the blow dealt to businesses by the pandemic outbreak, these may not fully offset the effects.

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

Acknowledgement & Appreciation

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

We would like to acknowledge the Government of Pakistan, the State Bank of Pakistan, the SECP and other regulatory bodies for their continued support in enabling the Bank to achieve its potential and contribute 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: October 27, 2021

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

		(Un-audited) September 30, 2021	(Audited) December 31, 2020
Note		----- (Rupees in '000) -----	
ASSETS			
	6	220,170,555	249,259,590
Cash and balances with treasury banks	7	16,302,597	14,227,355
Balances with other banks	8	267,932,513	126,804,675
Lendings to financial institutions	9	2,130,706,547	1,463,398,076
Investments	10	1,016,728,885	983,254,527
Advances	11	54,819,295	54,413,493
Fixed assets	12	199,324	303,813
Intangible assets	13	6,933,270	6,669,684
Right of use assets	14	107,849	-
Deferred tax Assets	15	109,643,689	110,195,768
Other assets		3,823,544,524	3,008,526,981
LIABILITIES			
	16	20,753,630	16,795,186
Bills payable	17	780,886,343	138,539,005
Borrowings	18	2,551,602,302	2,418,966,479
Deposits and other accounts	19	8,170,478	7,533,691
Lease liability against right of use assets	14	-	2,978,364
Deferred tax liabilities	20	172,131,056	156,155,514
Other liabilities		3,533,543,809	2,740,968,239
		290,000,715	267,558,742
NET ASSETS			
REPRESENTED BY			
		21,275,131	21,275,131
Share capital		60,432,104	56,562,933
Reserves	21	70,740,592	73,699,344
Surplus on revaluation of assets		137,552,888	116,021,334
Unappropriated profit		290,000,715	267,558,742
CONTINGENCIES AND COMMITMENTS			
	22		

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 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

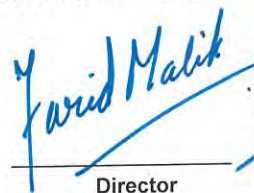
		Quarter ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Note		(Rupees in '000)			
Mark-up / return / interest earned	23	58,489,692	60,771,188	166,485,220	206,029,824
Mark-up / return / interest expensed	24	33,492,144	29,366,140	94,092,433	126,181,247
Net mark-up / return / interest income		24,997,548	31,405,048	72,392,787	79,848,577
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	3,869,806	4,124,102	12,690,562	12,848,025
Dividend income		1,315,147	265,696	2,777,555	1,298,024
Foreign exchange income		2,129,372	652,439	4,788,621	3,351,403
Gain on securities - net	26	1,298,308	3,597,642	5,440,043	6,932,804
Other income	27	454,074	742,582	1,412,815	3,293,130
Total non-mark-up / interest income		9,066,707	9,382,461	27,109,596	27,723,386
Total income		34,064,255	40,787,509	99,502,383	107,571,963
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	28	16,367,472	15,451,029	46,991,143	44,701,386
Workers welfare fund		-	-	-	-
Other charges	29	10,029	4,251	34,403	297,489
Total non-markup / interest expenses		16,377,501	15,455,280	47,025,546	44,998,875
Profit before provisions		17,686,754	25,332,229	52,476,837	62,573,088
Provisions and write offs - net	30	5,458,284	7,668,269	12,231,058	23,306,701
PROFIT BEFORE TAXATION		12,228,470	17,663,960	40,245,779	39,266,387
Taxation	31	5,049,193	6,720,141	16,101,189	13,132,199
PROFIT AFTER TAXATION		7,179,277	10,943,819	24,144,590	26,134,188
(Rupees)					
Earnings per share - basic and diluted	32	3.38	5.14	11.35	12.28

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 STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	Quarter ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Profit after taxation for the period	7,179,277	10,943,819	24,144,590	26,134,188
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	2,608,476	2,535,365	1,454,712	2,541,476
Movement in surplus on revaluation of investments - net of tax	(4,720,662)	(5,493,686)	(2,751,024)	5,809,702
	(2,112,186)	(2,958,321)	(1,296,312)	8,351,178
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	(609,688)	186,107	(378,816)	(471,505)
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(27,490)	575,051
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
	(609,688)	186,107	(406,306)	103,546
Total comprehensive income	4,457,403	8,171,605	22,441,972	34,588,912

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 STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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	70,244,061	88,785,900	232,613,834
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	26,134,188	26,134,188
Other comprehensive income / (loss) - net of tax	-	2,541,476	-	-	-	-	2,541,476	5,809,702	575,051	6,384,753	(471,505)	8,454,724
Transfer to statutory reserve	-	-	2,613,419	-	-	-	2,613,419	-	-	-	(2,613,419)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(172,784)	(172,784)	172,784	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at October 01, 2020	21,275,131	12,913,268	35,685,229	343,802	8,000,000	521,338	57,463,637	31,468,954	44,987,075	76,456,030	112,007,948	267,202,746
Profit after taxation for the three months period ended December 31, 2020	-	-	-	-	-	-	-	-	-	-	4,424,731	4,424,731
Other comprehensive income / (loss) - net of tax	-	(1,343,177)	-	-	-	-	(1,343,177)	(2,967,684)	268,594	(2,699,090)	(26,467)	(4,068,734)
Transfer to statutory reserve	-	-	442,473	-	-	-	442,473	-	-	-	(442,473)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(57,595)	(57,595)	57,595	-
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	267,558,743
Profit after taxation for the nine months period ended September 30, 2021	-	-	-	-	-	-	-	-	-	-	24,144,590	24,144,590
Other comprehensive income / (loss) - net of tax	-	1,454,712	-	-	-	-	1,454,712	(2,751,024)	(27,490)	(2,778,514)	(378,816)	(1,702,617)
Transfer to statutory reserve	-	-	2,414,459	-	-	-	2,414,459	-	-	-	(2,414,459)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(180,239)	(180,239)	180,239	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2020 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2021	21,275,131	13,024,803	38,542,161	343,802	8,000,000	521,338	60,432,104	25,750,246	44,990,345	70,740,592	137,552,888	290,000,715

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


Chairman


CNF Financial Officer


Yousaf Malik
Director


Director

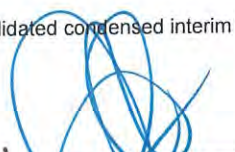
NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

		September 30, 2021	September 30, 2020
	Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		40,245,779	39,266,387
Less: dividend income		(2,777,555)	(1,298,024)
		37,468,224	37,968,363
Adjustments:			
Depreciation on fixed assets		1,784,083	1,877,814
Depreciation on right of use assets		1,416,151	1,389,383
Amortization		154,526	113,753
Provision and write-offs - net	30	12,231,058	23,306,701
Gain on sale of fixed assets		(22,176)	(886)
Financial charges on leased assets		90,493	22,342
Financial charges on right-of-use-assets		570,206	569,621
Unrealized gain on revaluation of investments classified as held-for-trading		56,200	23,539
Charge for defined benefit plans - net		5,551,176	5,549,228
		21,831,717	32,851,495
		59,299,941	70,819,858
(Increase) / decrease in operating assets			
Lendings to financial institutions		(141,158,915)	93,459,166
Held-for-trading securities		(32,406,338)	(16,893,371)
Advances		(48,011,939)	90,785,929
Other assets (excluding advance taxation)		(5,160,746)	22,678,882
		(226,737,938)	190,030,606
Increase / (decrease) in operating liabilities			
Bills payable		3,958,444	21,614,068
Borrowings from financial institutions		612,795,336	(291,459,286)
Deposits		132,635,823	(23,123,448)
Other liabilities (excluding current taxation)		11,860,391	(44,845,384)
		761,249,994	(337,814,050)
Financial charges paid		(660,699)	(591,963)
Income tax paid / adjusted	15.1	(8,337,000)	-
Benefits paid		(1,240,225)	(1,331,960)
Net cash flows generated from operating activities		583,574,073	(78,887,509)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(670,612,523)	(36,202,346)
Net investments in held-to-maturity securities		31,022,352	132,368,686
Dividends received		1,605,063	894,024
Investments in fixed assets		(2,191,501)	(1,629,634)
Proceeds from sale of fixed assets		48,535	27,359
Effect of translation of net investment in foreign branches		1,454,712	2,541,476
Net cash flows used in investing activities		(638,673,363)	97,999,565
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease obligations		(1,494,970)	(1,378,580)
Dividend paid		(2,613)	(1,085)
Net cash flow used in financing activities		(1,497,583)	(1,379,665)
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		262,243,717	263,754,250
Cash and cash equivalents at end of the period	33	205,646,844	281,486,641

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 NINE MONTHS PERIOD ENDED SEPTEMBER 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 19 (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.

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

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
Local currency	50,229,781	48,290,809
Foreign currencies	8,803,665	6,425,017
	<u>59,033,446</u>	<u>54,715,826</u>

With State Bank of Pakistan in

	Note	(Un-audited) September 30, 2021	(Audited) December 31, 2020
Local currency current accounts	6.1	95,201,537	125,017,240
Foreign currency current accounts	6.2	11,135,680	10,209,399
Foreign currency deposit accounts	6.2	22,872,468	21,022,297
Foreign currency collection accounts		1,334,661	1,618,084
		<u>130,544,346</u>	<u>157,867,020</u>

With other central banks in

	Note	(Un-audited) September 30, 2021	(Audited) December 31, 2020
Foreign currency current accounts	6.3	23,425,818	29,581,326
Foreign currency deposit accounts	6.3	3,561,364	4,789,170
		<u>26,987,182</u>	<u>34,370,496</u>

Prize bonds

	3,605,581	2,306,248
	<u>220,170,555</u>	<u>249,259,590</u>

- 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 6.30% per annum (December 31, 2020: 0.00% to 3.5% per annum).

		(Un-audited) September 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
Outside Pakistan			
In current accounts	7.2	10,134,435	8,336,597
In deposit accounts		6,155,963	5,878,810
		16,290,398	14,215,407
		<u>16,302,597</u>	<u>14,227,355</u>

- 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 1.5% per annum (December 31, 2020: 0.00% to 2.5% per annum).

		(Un-audited) September 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	265,922,790	124,763,875
Letters of placement	8.3	174,150	176,150
	8.4	268,106,663	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>267,932,513</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 6.25% to 8.0% per annum (December 31, 2020: 6% to 7.29% per annum) with maturities ranging from October 1, 2021 to October 25, 2021.
- 8.3 These are overdue placements and full provision has been made against these placements as at September 30, 2021.

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

8.4 Particulars of lending

In local currency	268,106,663	126,980,825
In foreign currencies	-	-
	<u>268,106,663</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

	September 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	7,633,010	-	7,633,010	91,230,121	-	91,230,121
Pakistan Investment Bonds	258,289,780	-	258,289,780	33,533,754	-	33,533,754
Total	<u>265,922,790</u>	<u>-</u>	<u>265,922,790</u>	<u>124,763,875</u>	<u>-</u>	<u>124,763,875</u>

8.6.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 264,251 million (December 31, 2020: Rs.125,094 million).

8.7 Category of classification

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

(Rupees in '000)

Domestic	174,150	174,150	176,150	176,150
Loss				

9. INVESTMENTS

9.1 Investments by type:

	September 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	122,895,390	-	(22,714)	122,872,676	96,157,306	-	3,529	96,160,835
Pakistan Investment Bonds	6,106,785	-	(33,487)	6,073,298	496,805	-	(1,455)	495,350
	129,002,175	-	(56,200)	128,945,974	96,654,111	-	2,074	96,656,185
Available-for-sale securities								
Pakistan Investment Bonds	482,443,032	-	(1,211,162)	481,231,870	470,136,168	-	2,776,564	472,912,732
Market Treasury Bills	1,181,250,105	-	(75,705)	1,181,174,400	529,397,138	-	690,816	530,087,954
Ijarah Sukuks	8,001,043	-	48,771	8,049,814	6,000,000	-	15,600	6,015,600
Ordinary shares of listed companies	33,251,379	(5,863,753)	13,451,783	40,839,410	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	1,712,813	(539,708)	99,303	1,272,408	1,445,308	(539,708)	194,250	1,099,850
Investments in mutual funds	619,646	(41,167)	1,287,449	1,865,928	619,646	(41,167)	1,421,691	2,000,170
Ordinary shares of a bank outside Pakistan	463,294	-	24,959,487	25,422,781	463,295	-	17,189,483	17,652,778
Term Finance Certificates / Musharika								
Participation Term Certificate and Sukuk Bonds	55,764,996	(5,210,000)	895,419	51,450,415	60,199,753	(5,196,406)	856,659	55,860,006
GoP Foreign Currency Bonds	21,036,700	-	122,459	21,159,159	10,429,632	-	411,243	10,840,875
Foreign Government Securities	851,484	-	37,959	889,443	2,795,017	-	52,159	2,847,176
Foreign Currency Debt Securities	-	-	-	-	79,438	-	1,202	80,640
	1,787,281,474	(12,065,522)	39,615,765	1,814,831,717	1,116,668,951	(11,756,410)	43,848,111	1,148,760,652
Held-to-maturity securities								
Pakistan Investment Bonds	132,797,604	-	-	132,797,604	168,422,981	-	-	168,422,981
Market Treasury Bills	-	-	-	-	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	415,931	(407,135)	-	8,796	414,973	(407,135)	-	7,838
Bai muajjal with Government of Pakistan	12,469,562	-	-	12,469,562	11,641,133	-	-	11,641,133
GoP Foreign Currency Bonds	2,960,619	-	-	2,960,619	-	-	-	-
Foreign Government Securities	33,141,717	-	-	33,141,717	32,328,738	-	-	32,328,738
Foreign Currency Debt Securities	658	-	-	658	618	-	-	618
	181,786,091	(407,135)	-	181,378,956	212,808,443	(407,135)	-	212,401,308
Associates								
Joint Venture	4,970,863	(3,851,885)	-	1,118,978	4,970,863	(3,821,853)	-	1,149,010
Subsidiaries	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
	3,906,750	(1,838,262)	-	2,068,488	3,906,750	(1,838,262)	-	2,068,488
Total investments	2,109,309,786	(18,162,803)	39,559,565	2,130,706,547	1,437,371,550	(17,823,660)	43,850,185	1,463,398,076

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

9.1.1 Investments given as collateral

Pakistan Investment Bonds	34,500,000	2,300,000
Market Treasury Bills	583,435,527	3,000,000
	<u>617,935,527</u>	<u>5,300,000</u>

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	17,823,660	17,950,047
Charge for the period	1,113,177	1,164,846
Reversals for the period	(774,034)	(1,291,233)
	<u>339,143</u>	<u>(126,387)</u>
Closing balance	<u>18,162,803</u>	<u>17,823,660</u>

9.2.2 Particulars of provision against debt securities

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

Domestic

Doubtful	-	-	119,133	59,567
Loss	5,625,899	5,617,134	5,552,738	5,543,973
	<u>5,625,899</u>	<u>5,617,134</u>	<u>5,671,871</u>	<u>5,603,540</u>

9.3 The market value of securities classified as held-to-maturity as at September 30, 2021 amounted to Rs. 171,977 million (December 31, 2020: Rs. 218,678 million).

10. ADVANCES

	Performing		Non performing		Total	
	(Un-audited) September 30, 2021	(Audited) December 31, 2020	(Un-audited) September 30, 2021	(Audited) December 31, 2020	(Un-audited) September 30, 2021	(Audited) December 31, 2020
Note						
(Rupees in '000)						
Loans, cash credits, running finances, etc.	947,272,498	931,976,385	188,114,374	160,045,212	1,135,386,872	1,092,021,597
Islamic financing and related assets	37,895,142	37,546,863	602,837	602,913	38,497,979	38,149,776
Net Investment in finance lease	50,387	58,239	-	-	50,387	58,239
Bills discounted and purchased	20,797,035	18,998,127	12,945,291	10,646,008	33,742,326	29,644,135
Advances - gross	1,006,015,062	988,579,614	201,662,502	171,294,133	1,207,677,564	1,159,873,747
Provision against advances						
- Specific						
- General	12,372,344	22,473,748	178,576,335	154,145,472	178,576,335	154,145,472
	12,372,344	22,473,748	178,576,335	154,145,472	190,948,679	176,619,220
Advances - net of provision	993,642,718	966,105,866	23,086,167	17,148,661	1,016,728,885	983,254,527

10.1 Net investment in finance lease

	September 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	3,112	152	-	3,264	10,911	556	-	11,467
Residual value	47,166	185	-	47,351	46,535	815	-	47,350
Minimum lease payments	50,278	337	-	50,615	57,446	1,371	-	58,817
Financial charges for future periods	226	1	-	227	546	32	-	578
Present value of minimum lease payments	50,053	336	-	50,387	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) September 30, 2021	(Audited) December 31, 2020
(Rupees in '000)		
In local currency	1,094,904,005	1,071,844,946
In foreign currencies	112,773,559	88,028,801
	1,207,677,564	1,159,873,747

- 10.3** Advances includes Rs. 201,663 million (December 31, 2020: Rs.171,294 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Non performing loans	Provision	Non performing loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other assets especially mentioned	4,544,149	104,346	1,617,988	45,392
Substandard	12,934,155	3,097,328	5,418,693	1,336,002
Doubtful	9,247,822	4,579,598	15,767,573	7,881,223
Loss	130,012,722	127,377,641	106,144,785	103,816,435
	156,738,848	135,158,913	128,949,039	113,079,052
Overseas				
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	281,945	140,973	-	-
> 365 days	44,641,709	43,276,449	42,345,094	41,066,420
	44,923,654	43,417,422	42,345,094	41,066,420
Total	201,662,502	178,576,335	171,294,133	154,145,472

10.4 Particulars of provision against advances

	September 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Note						
Opening balance	154,145,472	22,473,748	176,619,220	134,170,016	9,005,950	143,175,966
Exchange adjustments	2,705,639	19,774	2,725,413	1,468,169	15,535	1,483,704
Charge for the period / year	16,671,445	(2,410,318)	14,261,127	18,982,569	13,707,207	32,689,776
Reversals	(2,398,057)	(50,902)	(2,448,959)	(3,047,958)	(321,795)	(3,369,753)
	14,273,388	(2,461,220)	11,812,168	15,934,611	13,385,412	29,320,023
Amounts written off	(149,546)	-	(149,546)	(89,494)	-	(89,494)
Amounts charged off - agriculture financing	(58,576)	-	(58,576)	(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	178,576,335	12,372,344	190,948,679	154,145,472	22,473,748	176,619,220

10.4.1 Particulars of provision against advances

	September 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	135,158,913	12,122,197	147,281,110	113,079,052	22,274,089	135,353,141
In foreign currencies	43,417,422	250,147	43,667,569	41,066,420	199,659	41,266,079
	178,576,335	12,372,344	190,948,679	154,145,472	22,473,748	176,619,220

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. 6,521 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 September 30, 2021, 77 (December 31, 2020: 77) corporate borrowers, having aggregate outstanding exposure of Rs. 131,360 million (December 31, 2020: 145,851), have availed regulatory relief extended by SBP amounted to Rs. 27,357 million (December 31, 2020: Rs. 27,357 million).

		(Un-audited) September 30, 2021	(Audited) December 31, 2020
	Note	----- (Rupees in '000) -----	
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,378,170	2,154,184
Property and equipment		52,441,125	52,259,309
		<u>54,819,295</u>	<u>54,413,493</u>
11.1 Capital work-in-progress			
Civil works		2,241,459	2,040,456
Equipment		10,825	10,825
Advances to suppliers and contractors		58,733	58,733
Software implementation in progress		67,153	44,170
		<u>2,378,170</u>	<u>2,154,184</u>
		(Un-audited) September 30, 2021	(Un-audited) September 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		444,941	107,974
Property and equipment			
Building on freehold land		-	3,622
Building on leasehold land		30,452	59,728
Furniture and fixture		475,344	628,703
Computer and peripheral equipment		370,318	110,001
Electrical, office equipment		284,539	429,120
Vehicles		762,869	195,700
		<u>1,923,522</u>	<u>1,426,874</u>
		<u>2,368,463</u>	<u>1,534,848</u>

(Un-audited) September 30, 2021	(Un-audited) September 30, 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	25,095	24,898
	<u>26,359</u>	<u>26,417</u>

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

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

12. INTANGIBLE ASSETS

Computer Software	<u>199,324</u>	<u>303,813</u>
-------------------	----------------	----------------

(Un-audited) September 30, 2021	(Un-audited) September 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	<u>43,993</u>	<u>94,788</u>
--------------------	---------------	---------------

(Un-audited) September 30, 2021	(Audited) December 31, 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	1,707,123	1,331,535
Derecognition during the period / year	(27,387)	-
Depreciation charged for the period / year	<u>(1,416,151)</u>	<u>(1,883,117)</u>
Balance as at	<u>6,933,270</u>	<u>6,669,684</u>

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

14. DEFERRED TAX

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
4,324,833	4,120,855
236,751	236,751
10,067,592	9,084,601
115,222	115,222
1,024,305	1,136,458
105,416	105,416
433,023	-
16,317,847	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

(2,299,767)	(2,396,819)
(13,865,518)	(15,346,840)
(44,713)	(44,713)
(16,209,998)	(17,788,372)
107,849	(2,978,364)

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

15. OTHER ASSETS

Income / return / mark-up accrued in local currency	34,648,889	39,642,348
Income / return / mark-up accrued in foreign currency	3,007,939	2,274,912
Advances, deposits, advance rent and other prepayments	4,956,224	2,918,231
Income tax refunds receivable & Advance taxation (payments less provisions)	14,913,820	27,183,199
Compensation for delayed tax refunds	18,849,000	17,556,551
Non-banking assets acquired in satisfaction of claims	1,244,237	1,255,834
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	208,423
Unrealized gain on forward foreign exchange contracts	6,447,805	-
Commission receivable on Government treasury transactions	10,467,077	4,612,174
Stationery and stamps on hand	473,413	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	719,971	88,996
Acceptances	15,528,345	15,741,754
Others	6,335,488	6,437,628
	118,738,036	119,356,966
Less: Provision held against other assets	11,806,842	11,873,693
Other assets (net of provision)	106,931,194	107,483,273
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	2,712,495	2,712,495
Other assets - total	109,643,689	110,195,768

15.1 During the period Rs. 3,987 million were adjusted against income tax refunds towards payment of advance tax liability.

15.2 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	4,131,447	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	4,672,071	4,778,089
	<u>11,806,842</u>	<u>11,873,693</u>

15.2.1 Movement in provision held against other assets

Opening balance	11,873,693	10,853,587
Charge for the year	39,167	1,517,709
Transfer in	-	(484,393)
Adjustment against provision	(106,018)	(13,210)
Closing balance	<u>11,806,842</u>	<u>11,873,693</u>

16. BILLS PAYABLE

In Pakistan	20,637,449	16,718,064
Outside Pakistan	116,181	77,122
	<u>20,753,630</u>	<u>16,795,186</u>

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

17. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme
Under Export Refinance Scheme (New Scheme)
Financing Scheme for Renewable Energy
Refinance Facility for Modernization of SMEs
Financing Facility for storage of Agriculture Produce (FFSAP)
Under Long-Term Financing Facility (LTFF)
Refinance Scheme for Payment of Wages and Salaries
Temporary Economic Refinance Facility
Refinance Facility for Combating Covid-19

5,734,770	2,451,874
22,580,991	28,686,149
779,611	481,261
-	177,976
591,354	256,184
20,185,027	16,380,117
1,437,369	1,167,527
6,559,249	537,912
51,206	61,448
57,919,577	50,200,448

Repurchase agreement borrowings
Bai Muajjal

617,935,527	5,266,007
72,195,209	79,788,522
748,050,313	135,254,977

Unsecured

Call borrowings
Overdrawn nostro accounts

27,068,235	2,047,588
5,767,795	1,236,440
32,836,030	3,284,028
780,886,343	138,539,005

17.1 Particulars of borrowings with respect to currencies

In local currency
In foreign currencies

753,818,108	136,491,430
27,068,235	2,047,575
780,886,343	138,539,005

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

- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up of 3.0% per annum (December 31, 2020: of 3.00%).
- Repurchase agreement borrowings carry mark-up ranging from 7.1% to 7.4% per annum (December 31, 2020: 7% to 7.05% per annum) having maturities ranging from October 1, 2021 to October 25, 2021.
- Call borrowings carry interest ranging from 0% to 3% per annum (December 31, 2020: 0% to 2% per annum).

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

17.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5 -10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 617,936 million (December 31, 2020: Rs. 5,300 million).

18. DEPOSITS AND OTHER ACCOUNTS

	September 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	500,895,747	-	500,895,747	405,738,851	-	405,738,851
Current deposits - non-remunerative	449,313,574	134,085,050	583,398,624	433,284,063	115,191,412	548,475,475
Savings deposits	673,398,379	77,274,736	750,673,115	637,694,450	66,126,336	703,820,786
Term deposits	300,218,185	80,543,397	380,761,582	276,454,916	81,153,488	357,608,404
Others	8,904,404	4,404	8,908,808	4,683,735	316,040	4,999,775
	1,932,730,289	291,907,587	2,224,637,876	1,757,856,015	262,787,276	2,020,643,291
Financial Institutions						
Current deposits	295,758,453	1,379,101	297,137,554	360,581,882	1,634,466	362,216,348
Savings deposits	16,605,784	-	16,605,784	4,253,051	3,246,855	7,499,906
Term deposits	6,982,726	5,557,244	12,539,970	12,613,687	8,883,345	21,497,032
Others	679,253	1,865	681,118	7,109,902	-	7,109,902
	320,026,216	6,938,210	326,964,426	384,558,522	13,764,666	398,323,188
	2,252,756,505	298,845,797	2,551,602,302	2,142,414,537	276,551,942	2,418,966,479

18.1 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 77,355 million (December 31, 2020: Rs.73,145 million).

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----		
19. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS		
Lease liabilities included in the statement of financial position	8,170,478	7,533,691
Of which are:		
Current lease liability	1,516,635	1,367,840
Non-current lease liability	6,653,843	6,165,851
	8,170,478	7,533,691
Maturity analysis - contractual undiscounted cash flows		
Less than one year	2,197,020	2,315,989
One to five years	6,279,947	5,869,956
More than five years	6,320,186	5,839,515
Total undiscounted lease liabilities	14,797,153	14,025,460

20. OTHER LIABILITIES

Mark-up / return / interest payable in local currency		28,916,203	37,808,884
Mark-up / return / interest payable in foreign currencies		460,136	844,452
Unearned commission and income on bills discounted		774,775	1,574,563
Accrued expenses	20.1	16,912,619	18,183,815
Advance payments		373,782	362,466
Unclaimed dividends		182,903	185,516
Unrealized loss on forward foreign exchange contracts		-	2,918,017
Unrealized loss on put option		306,339	306,339
Branch adjustment account		493,272	917,487
Employee benefits:			
Pension fund		16,419,950	15,704,077
Post retirement medical benefits		23,706,223	22,282,747
Benevolent fund		1,944,579	2,054,218
Gratuity scheme		3,077,244	2,711,914
Compensated absences		9,775,996	9,251,755
Staff welfare fund		371,257	371,257
Liabilities relating to Barter trade agreements		2,267,128	2,142,033
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies		4,365,700	4,180,071
Payable to brokers		62,234	65,137
PIBs short selling		29,137,274	3,237,676
Acceptances		15,528,345	15,741,754
Others		16,427,603	14,683,842
		<u>172,131,056</u>	<u>156,155,514</u>

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) September 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	39,615,765	43,848,111
- Fixed assets		44,577,617	44,882,399
- Non-banking assets		2,757,208	2,757,207
		<u>86,950,590</u>	<u>91,487,717</u>
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(13,865,518)	(15,346,840)
- Fixed assets		(2,299,767)	(2,396,820)
- Non-banking assets		(44,713)	(44,713)
		<u>(16,209,998)</u>	<u>(17,788,373)</u>
		<u>70,740,592</u>	<u>73,699,344</u>
22. CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	243,194,955	206,831,672
Commitments	22.2	2,045,120,333	1,417,860,011
Other contingent liabilities	22.3	35,073,187	34,820,672
		<u>2,323,388,474</u>	<u>1,659,512,355</u>
22.1 Guarantees			
Financial guarantees		192,788,436	137,366,954
Performance guarantees		50,406,519	69,464,718
		<u>243,194,955</u>	<u>206,831,672</u>
22.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,400,909,944	970,274,317
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	548,059,169	419,327,735
- forward government securities transactions	22.2.2	95,295,017	27,625,340
Commitments for acquisition of:			
- operating fixed assets		856,203	632,619
		<u>2,045,120,333</u>	<u>1,417,860,011</u>

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
22.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	342,313,584	272,245,550
Sale	205,745,585	147,082,185
	<u>548,059,169</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) September 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
22.2.2 Commitments in respect of forward government securities transactions		
Purchase	18,702,062	496,331
Sale	76,592,955	27,129,009
	<u>95,295,017</u>	<u>27,625,340</u>

22.3 Other contingent liabilities

22.3.1	Claim against the Bank not acknowledged as debt	<u>35,073,187</u>	<u>34,820,672</u>
---------------	---	-------------------	-------------------

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 September 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:

- Taxation officer has passed assessment order for tax year 2020 on May 31, 2021. The Bank has filed appeal before CIR(A) which is fixed for hearing on October 26, 2021. Stay has been granted against tax demand arising out of the assessment order. The Bank has not made any provision in respect of the additional tax liability of Rs. 4.29 billion arising out of the impugned order and the amount is instead shown as contingency, as management based on tax consultants advice is of the view that the issues are likely to be decided in Bank's favour.
- Taxation officer has passed assessment order for tax year 2019 on August 26, 2021. The Bank has filed appeal before CIR(A) which is fixed for hearing on October 26, 2021. Stay has been granted against tax demand arising out of the assessment order. The Bank has not made any provision in respect of the additional tax liability of Rs. 2.46 billion arising out of the impugned order and the amount is instead shown as contingency, as management based on tax consultants advice is of the view that the issues are likely to 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.

- e) 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.
- f) 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 September 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 period ended September 30, 2021 amounted to Rs. 74.6 billion, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for year 2021 onward will also increase by Rs. 7.8 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, as well as observations from subsequent Reports of Examination by US regulators, requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US Bank Secrecy Act requirements. The requirements also required enhancement and implementation of requisite systems and controls, as well as 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 Agreement and in subsequent examinations. However, the Bank remains vulnerable until it completes the required remedial actions and the same are endorsed by the US Regulators.

		(Un-audited) Nine months ended September 30, 2021	(Un-audited) Nine months ended September 30, 2020
	Note	----- (Rupees in '000) -----	
23. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		63,353,280	77,998,330
Investments		100,272,524	124,877,180
On securities purchased under resale agreements		1,859,224	1,900,668
Balances with other banks		1,000,192	1,253,646
		<u>166,485,220</u>	<u>206,029,824</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		61,670,517	82,348,030
Borrowings		5,210,215	6,090,877
Cost of foreign currency swaps against foreign currency deposits		6,154,076	6,454,405
Finance charge on lease liability against right of use assets		570,206	569,621
Securities sold under repurchase agreements		20,487,419	30,718,314
		<u>94,092,433</u>	<u>126,181,247</u>
25. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,215,975	1,354,149
Consumer finance related fees		633,082	496,207
Card related fees		1,311,090	774,605
Credit related fees		139,805	132,162
Investment banking fees		650,559	539,997
Commission on trade		1,504,620	1,451,176
Commission on guarantees		299,972	330,923
Commission on cash management		47,959	6,173
Commission on remittances including home remittances		1,066,508	829,723
Commission on bancassurance		222,671	190,917
Commission on government transactions		5,537,317	6,626,429
Others		61,003	115,562
		<u>12,690,562</u>	<u>12,848,025</u>
26. GAIN ON SECURITIES - NET			
Realized	26.1	5,496,243	6,956,343
Unrealized - held-for-trading	9.1	(56,200)	(23,539)
		<u>5,440,043</u>	<u>6,932,804</u>
26.1 Realized gain on			
Federal Government Securities		465,768	5,258,905
Shares		4,894,127	1,018,758
Ijarah Sukuks		10,809	8
Foreign Securities		125,539	678,672
		<u>5,496,243</u>	<u>6,956,343</u>
27. OTHER INCOME			
Rent on property		48,870	30,827
Gain on sale of fixed assets - net		22,176	886
Compensation for delayed tax refunds	27.1	1,292,449	3,097,448
Remittances expense reimbursed by SBP		-	112,861
Others		49,320	51,108
		<u>1,412,815</u>	<u>3,293,130</u>
27.1	This represents compensation on delayed refunds determined under Section 171 of Income Tax Ordinance 2001.		

	(Un-audited) For the Nine months ended September 30, 2021 ----- (Rupees in '000) -----	(Un-audited) September 30, 2020
28. OPERATING EXPENSES		
Total compensation expenses	31,388,419	29,734,883
Property expenses		
Rent and taxes	718,480	360,692
Insurance	25,593	25,593
Utilities cost	1,038,530	860,876
Security (including guards)	1,978,120	1,908,345
Repair and maintenance (including janitorial charges)	615,376	700,028
Depreciation	366,698	332,939
Depreciation on non banking assets	11,597	11,838
Depreciation on ljarah assets	49,730	67,393
Depreciation on right of use assets	1,416,151	1,389,383
	6,220,275	5,657,087
Information technology expenses		
Software maintenance	877,706	803,777
Hardware maintenance	21,556	8,897
Depreciation	205,863	196,642
Amortization	154,526	113,753
Network charges	404,851	362,919
IT Manage Services	186,857	187,228
	1,851,359	1,673,216
Other operating expenses		
Directors' fees and reimbursement of other expenses	16,799	27,839
Fees and allowances to Shariah Board	8,409	6,974
Legal and professional charges	701,494	927,447
Outsourced services costs	456,319	598,230
Travelling and conveyance	461,534	353,786
NIFT clearing charges	123,711	118,074
Depreciation	1,150,195	1,269,002
Training and development	25,859	40,865
Postage and courier charges	158,461	150,982
Communication	229,758	216,787
Stationery and printing	1,034,518	928,339
Marketing, advertisement and publicity	96,270	118,971
Contributions for other Corporate and Social Responsibility	6,216	85,447
Auditors' remuneration	127,140	134,727
Entertainment	171,794	158,996
Clearing, verification, license fee charges	239,407	166,153
Brokerage	91,282	82,246
Financial charges on leased assets	90,493	22,342
Insurance	274,637	351,168
Vehicle expenses	142,686	105,073
Repairs and maintenance	469,711	408,707
Deposit premium expense	1,178,330	1,030,977
Others	276,067	333,068
	7,531,090	7,636,200
	46,991,143	44,701,386

		(Un-audited) For the nine months ended September 30, 2021	(Un-audited) September 30, 2020
	Note	----- (Rupees in '000) -----	
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		34,044	297,404
Penalties imposed by other regulatory bodies (Central bank of international branches)		359	85
		<u>34,403</u>	<u>297,489</u>
30. PROVISIONS AND WRITE OFFS - NET			
Provisions for diminution in value of investments	9.2	339,142	411,266
Provisions against loans and advances	10.4	11,812,168	21,813,486
Provision against other assets		79,748	1,081,949
		<u>12,231,058</u>	<u>23,306,701</u>
31. TAXATION			
Current		17,502,102	20,135,237
Deferred		(1,400,913)	(7,003,038)
		<u>16,101,189</u>	<u>13,132,199</u>
32. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the period (Rupees in 000's)		<u>24,144,590</u>	<u>26,134,188</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>11.35</u>	<u>12.28</u>
		(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
		----- (Rupees in '000) -----	
33. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks		220,170,555	271,566,562
Balances with other banks		16,302,597	14,597,584
Call money lendings		2,009,723	140,800
Call money borrowings		(27,068,235)	(2,538,424)
Overdrawn nostro		(5,767,795)	(2,279,881)
		<u>205,646,845</u>	<u>281,486,641</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.			

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:

	September 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	1,304,047,076	-	1,304,047,076	-	1,304,047,076
Pakistan Investment Bonds	487,305,168	-	487,305,168	-	487,305,168
Ijarah Sukuks	8,049,814	-	8,049,814	-	8,049,814
Ordinary shares of listed companies	40,839,410	40,839,410	-	-	40,839,410
Preference shares	1,272,408	1,272,408	-	-	1,272,408
Investments in mutual funds	1,865,928	-	1,865,928	-	1,865,928
Term Finance Certificates / Musharika and Sukuk Bonds	51,450,415	5,058,199	46,392,216	-	51,450,415
GoP Foreign Currency Bonds	21,159,159	-	21,159,159	-	21,159,159
Foreign Government Securities	889,443	-	889,443	-	889,443
Foreign Currency Debt Securities	-	-	-	-	-
Ordinary shares of a bank outside Pakistan	25,422,781	25,422,781	-	-	25,422,781
	1,942,301,602	72,592,798	1,869,708,804	-	1,942,301,602

Financial assets - disclosed but not measured at fair value

Pakistan Investment Bonds	132,797,604	-	131,479,651	-	131,479,651
Market Treasury Bills	-	-	-	-	-
GoP Foreign Currency Bonds	2,960,619	-	2,971,235	-	2,971,235
Foreign Government Securities	33,141,717	-	37,512,387	-	37,512,387
Foreign Currency Debt Securities	658	-	657	-	657
Associates	1,118,978	1,120,549	240,524	-	1,361,073
	170,019,576	1,120,549	172,204,454	-	173,325,003
	2,112,321,178	73,713,347	2,041,913,258	-	2,115,626,605

Off-balance sheet financial instruments - measured at fair value

Commitments

Foreign exchange contracts purchase and sale	548,059,169	-	6,447,805	-	6,447,805
Forward government securities transactions	95,295,017	-	(378,633)	-	(378,633)

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

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:

September 30, 2021 (Un-audited)				
Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Land and building (property and equipment)	48,449,006	-	-	48,449,006
Non-banking assets acquired in satisfaction of claims	3,956,732	-	-	3,956,732
	52,405,738	-	-	52,405,738

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

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Nine months period ended September 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)	(40,188,310)	11,903,351	19,821,237	75,279,819	2,566,617	3,010,073	72,392,787	-	72,392,787
Inter segment revenue - net	77,547,204	(9,993,223)	(16,656,498)	(62,383,691)	-	11,486,208	-	-	-
Non mark-up / return / interest income	9,527,628	266,941	3,145,886	11,577,359	945,767	1,646,014	27,109,596	-	27,109,596
Total income	46,886,522	2,177,069	6,310,625	24,473,487	3,512,384	16,142,296	99,502,383	-	99,502,383
Segment direct expenses	22,703,844	2,137,794	828,956	330,963	4,189,823	2,380,020	32,571,400	-	32,571,400
Inter segment expense allocation	-	-	-	-	-	14,454,146	14,454,146	-	14,454,146
Total expenses	22,703,844	2,137,794	828,956	330,963	4,189,823	16,834,166	47,025,546	-	47,025,546
Provisions and write offs - net	702,186	1,294,089	9,763,024	295,517	21,955	154,285	12,231,058	-	12,231,058
Profit / (loss) before taxation	23,480,490	(1,254,814)	(4,281,354)	23,847,007	(699,394)	(846,156)	40,245,779	-	40,245,779

September 30, 2021 (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)									
Statement of financial position									
Cash and balances with treasury and other banks	66,592,988	5,671,396	266,632	114,465,990	42,133,147	7,342,999	236,473,152	-	236,473,152
Investments	-	-	25,698,744	1,997,390,511	58,151,596	49,465,696	2,130,706,547	-	2,130,706,547
Net inter segment lending	1,893,063,451	-	-	-	-	264,265,625	2,157,329,075	(2,157,329,075)	-
Lendings to financial institutions	-	-	-	267,332,513	-	-	267,332,513	-	267,332,513
Advances - performing	183,010,406	175,292,765	540,897,575	-	64,490,158	42,324,159	1,006,015,062	-	1,006,015,062
Advances - non-performing	4,777,609	22,402,901	64,416,263	-	44,923,654	65,142,075	201,662,502	-	201,662,502
Provision against Advances	(9,014,885)	(17,851,136)	(56,076,635)	-	(43,667,569)	(84,338,455)	(190,948,679)	-	(190,948,679)
Advances - Net	178,773,130	179,844,530	549,237,203	-	65,746,244	43,127,779	1,016,728,885	-	1,016,728,885
Others	31,964,948	2,764,438	21,946,014	6,892,107	5,415,335	102,720,584	171,703,427	-	171,703,427
Total assets	2,170,394,516	188,280,364	597,148,593	2,386,681,121	171,446,321	466,922,683	5,980,873,599	(2,157,329,075)	3,823,544,524
Borrowings	-	3,294,408	54,625,171	695,898,529	27,068,235	-	780,886,343	-	780,886,343
Deposits and other accounts	2,133,532,393	-	262,280,731	-	77,355,032	78,434,147	2,551,502,302	-	2,551,502,302
Net inter segment borrowing	-	181,895,260	269,217,617	1,638,331,838	64,518,075	13,366,285	2,157,329,075	(2,157,329,075)	-
Others	36,862,123	3,090,695	20,748,759	11,004,984	2,364,660	126,983,943	201,055,164	-	201,055,164
Total liabilities	2,170,394,516	188,280,364	596,872,278	2,345,235,351	171,306,002	218,784,374	5,690,872,884	(2,157,329,075)	3,533,543,809
Equity	-	-	276,315	41,445,770	140,319	248,138,309	290,000,715	-	290,000,715
Total equity and liabilities	2,170,394,516	188,280,364	597,148,593	2,386,681,121	171,446,321	466,922,683	5,980,873,599	(2,157,329,075)	3,823,544,524
Contingencies and commitments	-	28,541,799	1,607,912,161	627,455,300	23,549,825	35,929,389	2,323,388,474	-	2,323,388,474

Nine months period ended September 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
	(68,529,869)	14,215,935	39,469,109	88,981,491	2,050,516	3,661,396	79,848,577	-	79,848,577
Net mark-up / return / interest income / (expense)	107,069,275	(12,269,562)	(34,697,413)	(64,047,478)	-	3,945,178	-	-	-
Inter segment revenue - net	9,338,986	817,406	2,098,861	10,344,723	1,618,315	3,505,094	27,723,386	-	27,723,386
Non mark-up / return / interest income	47,878,392	2,763,779	6,870,558	35,278,736	3,668,830	11,111,668	107,571,963	-	107,571,963
Total income									
	20,397,588	1,669,220	619,277	264,335	4,171,262	2,054,303	29,175,985	-	29,175,985
Segment direct expenses	-	-	-	-	-	15,822,890	15,822,890	-	15,822,890
Inter segment expense allocation									
Total expenses	20,397,588	1,669,220	619,277	264,335	4,171,262	17,877,193	44,998,875	-	44,998,875
Provisions and write offs - net	397,221	6,049,232	16,179,725	113,869	(369,305)	935,959	23,306,701	-	23,306,701
Profit / (loss) before taxation	27,083,583	(4,954,673)	(9,928,444)	34,900,532	(133,127)	(7,701,484)	39,266,387	-	39,266,387

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
	150,000,222	9,809,667	281,210	49,710,033	47,960,766	5,725,047	263,486,945	-	263,486,945
Cash and balances with treasury and other banks	-	-	31,393,587	1,340,556,530	46,098,046	45,349,914	1,463,398,076	-	1,463,398,076
Investments	1,716,041,623	-	-	-	-	192,585,019	1,908,626,642	(1,908,626,642)	-
Net inter segment lending	-	-	-	-	-	2,650	126,804,675	-	126,804,675
Lendings to financial institutions									
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	118,566,289	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	4,917,153,623	(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

	-	3,511,852	46,688,596	86,290,983	2,047,575	(0)	138,539,005	-	138,539,005
Borrowings	2,070,445,603	-	200,011,969	-	73,225,543	75,283,364	2,418,966,479	-	2,418,966,479
Deposits and other accounts	-	136,108,152	323,788,034	1,375,268,749	63,868,561	9,593,146	1,908,626,642	(1,908,626,642)	-
Net inter segment borrowing									
Others	47,703,958	3,115,875	17,857,441	12,387,953	3,138,352	99,259,176	183,482,755	-	183,482,755
Total liabilities	2,118,149,561	142,735,878	588,346,040	1,473,947,685	142,280,030	184,135,685	4,649,594,881	(1,908,626,642)	2,740,968,239
Equity	-	-	212,690	43,487,200	464,603	223,394,251	267,558,742	-	267,558,742
Total equity and liabilities	2,118,149,561	142,735,878	588,558,730	1,517,434,885	142,744,633	407,529,936	4,917,153,623	(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	-	1,659,512,355

35. 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 consolidated 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:

	September 30, 2021 (in-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
Balances with other banks																				
In current accounts																				
-	-	-	-	-	190,670	-	-	-	-	-	-	-	-	-	-	2,951	-	-	-	-
-	-	-	-	-	190,670	-	-	-	-	-	-	-	-	-	-	2,951	-	-	-	-
Advances																				
-	233,267	359,565	2,561,029	-	-	-	-	-	-	305,117	-	228,805	414,565	3,046,662	-	-	-	-	-	23,386,325
-	262,170	-	-	-	-	-	-	-	-	37,208,583	-	64,850	-	-	-	-	-	-	-	115,824,347
-	(28,264)	(78,000)	(31,250)	-	-	-	-	-	-	(37,072,594)	-	(31,840)	(55,000)	(65,633)	-	-	-	-	-	(115,873,058)
-	(118,335)	-	-	-	-	-	-	-	-	-	-	(28,548)	-	-	-	-	-	-	-	(23,332,497)
-	348,838	281,565	2,549,779	-	-	-	-	-	-	441,066	-	233,267	359,565	2,681,029	-	-	-	-	-	305,117
Provisions against loans																				
-	-	251,555	2,837,287	-	-	-	-	-	-	-	-	-	284,555	2,837,287	-	-	-	-	-	-
Other Assets																				
-	-	247,135	1,719,572	-	-	-	-	-	-	-	-	-	233,641	1,720,157	-	-	-	-	-	-
-	-	76,019	-	-	-	-	-	-	-	-	-	-	74,765	-	-	-	-	-	-	-
-	-	323,154	1,719,572	-	-	-	-	-	-	-	-	-	308,426	1,720,157	-	-	-	-	-	-
Borrowings																				
-	-	-	-	-	9,111	-	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
-	-	-	-	-	86,630	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(270,703)	-	-	-	-	-
-	-	-	-	-	95,741	-	-	-	-	-	-	-	-	-	9,111	-	-	-	-	-
Deposits and other accounts																				
1,320	177,235	1,553,709	-	-	-	55,871	-	1,359,644	13,282,016	227,967	3,855	94,715	1,522,792	-	-	73	-	1,235,120	13,256,883	40,416,083
7,622	522,526	116,957	-	-	22,276,706	-	-	3,061,878	1,069,357	144,177,450	8,672	713,917	261,901	-	-	47,037,963	-	3,054,527	1,941,908	708,780
(7,503)	(539,466)	(1,219,930)	-	-	(22,330,577)	-	-	(3,640,817)	(1,266,869)	(130,801,925)	(11,228)	(620,573)	(230,984)	-	-	(46,979,185)	-	(2,020,003)	(1,866,775)	(630,132)
58	(57,825)	-	-	-	-	-	-	4,190,165	-	4,190,165	41	(10,623)	-	-	-	-	-	-	-	(40,266,774)
1,397	102,451	430,736	-	-	5,000	-	-	790,705	13,084,504	17,793,657	1,320	177,235	1,553,709	-	-	58,871	-	1,366,644	13,282,016	227,967
Other Liabilities																				
-	-	2,509	-	-	-	-	-	-	-	-	-	-	4,308	-	-	-	-	-	-	-
-	-	2,509	-	-	-	-	-	-	-	-	-	-	4,308	-	-	-	-	-	-	-

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

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

(Rupees in '000)

Income

Mark-up / return / interest earned	-	14,654	8,019	5	-	-	8,776	-	16,261	13,894	9	-	-	15,212
Commission received from subsidiaries	-	297	-	-	-	-	-	-	683	-	-	-	-	-
Dividend Income	-	12,695	-	-	-	-	-	-	27,418	-	-	-	-	-
Rent income / lighting and power and bank charges	-	18,017	3,831	-	-	-	-	-	22,182	3,479	-	-	-	14,585

Expense

Mark-up / return / interest paid	-	5,639	-	18	55,888	1,064,969	1,614,408	-	26,908	-	300	108,346	865,880	3,141
Expenses paid to company in which Directors of the bank is interested as CEO and director	-	-	-	-	-	-	20,668	-	-	-	-	-	-	10,712
Remuneration to key management executives including charge for defined benefit plan	505,341	-	-	-	-	-	-	375,861	-	-	-	-	-	-
Commission paid to subsidiaries	-	4,697	-	-	-	-	-	-	3,441	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	1,565	-	-	-	-	-	-	1,565

38.1 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. 5,537 million (Sept 30, 2020 Rs. 6,826 million) for the nine months period ended September 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. 383,308 million (Dec 31, 2020: Rs. 337,572 million), Rs. 1,098,461 million (Dec 31, 2020: Rs. 932,317 million) and Rs. 1,366,718 million (Dec 31, 2020: Rs. 948,335 million) respectively and income earned on advances and profit paid on deposits amounted to Rs. 15,403 million (Sep 30, 2020: Rs. 28,810 million) and Rs. 44,615 million (Sep 30, 2020: Rs. 44,615 million) respectively.

37. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 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>
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	<u>197,317,675</u>	<u>172,896,361</u>
Eligible Additional Tier 1 Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>197,317,675</u>	<u>172,896,361</u>
Eligible Tier 2 Capital	<u>64,983,369</u>	<u>55,224,098</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>262,301,044</u>	<u>228,120,459</u>
Risk Weighted Assets		
Credit Risk	<u>897,368,010</u>	<u>858,263,350</u>
Market Risk	<u>77,205,799</u>	<u>87,765,828</u>
Operational Risk	<u>207,071,580</u>	<u>207,071,580</u>
Total	<u>1,181,645,390</u>	<u>1,153,100,758</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>16.70%</u>	<u>14.99%</u>
Tier 1 Capital Adequacy Ratio	<u>16.70%</u>	<u>14.99%</u>
Total Capital Adequacy Ratio	<u>22.20%</u>	<u>19.78%</u>
Leverage Ratio		
Eligible Tier-1 Capital	<u>197,317,675</u>	<u>172,896,361</u>
Total Exposures	<u>5,534,469,634</u>	<u>4,256,253,296</u>
Leverage Ratio	<u>3.57%</u>	<u>4.06%</u>
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	<u>1,448,735,799</u>	<u>1,200,257,790</u>
Total Net Cash Outflow	<u>852,416,215</u>	<u>666,722,922</u>
Liquidity Coverage Ratio	<u>170%</u>	<u>180%</u>
Net Stable Funding Ratio		
Total Available Stable Funding	<u>2,435,931,245</u>	<u>2,309,310,465</u>
Total Required Stable Funding	<u>903,355,909</u>	<u>901,126,786</u>
Net Stable Funding Ratio	<u>270%</u>	<u>256%</u>

38. ISLAMIC BANKING BUSINESS

The Bank is operating 189 (December 31, 2020: 191) Islamic banking branches and no Islamic banking windows at the nine months period ended September 30, 2021.

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

		(Un-audited) September 30, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
Note			
ASSETS			
Cash and balances with treasury banks		7,330,799	5,713,009
Balances with other banks		12,199	11,948
Investments	38.1	46,255,454	42,109,641
Islamic financing and related assets - net	38.2	37,770,691	37,546,704
Fixed assets		111,663	148,884
Right of use assets		660,120	755,116
Other assets		2,645,859	2,676,118
Total Assets		94,786,785	88,961,420
LIABILITIES			
Bills payable		589,251	339,103
Deposits and other accounts	38.3	78,428,921	75,268,262
Lease liability against right of use assets		835,643	903,196
Due to head office		7,599,736	4,124,758
Other liabilities		1,072,172	2,198,144
		88,525,723	82,833,463
NET ASSETS		6,261,062	6,127,957
REPRESENTED BY			
Islamic Banking Fund		4,646,000	3,360,000
Surplus on revaluation of assets		667,875	659,569
Unappropriated / unremitted profit	38.4	947,187	2,108,388
		6,261,062	6,127,957

The profit and loss account of the Bank's Islamic banking branches for the nine months period ended September 30, 2021 is as follows:

		(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
	Note	----- (Rupees in '000) -----	
Profit / return earned	38.5	5,095,381	6,180,566
Profit / return expensed	38.6	2,197,726	2,748,247
Net profit / return		2,897,655	3,432,319
Other income			
Fee and commission income		160,965	265,220
Foreign exchange income		42,976	49,943
Other income		756	796
Total other income		204,697	315,959
Total income		3,102,352	3,748,278
Other expenses			
Operating expenses		2,029,591	1,724,149
Other charges		1,358	2,053
		2,030,949	1,726,202
Profit before provisions		1,071,403	2,022,076
Provisions charge / (reversal) and write offs - net		124,216	399,583
Profit before taxation		947,187	1,622,493
Taxation		-	-
Profit after taxation		947,187	1,622,493

38.1 Investments by segments:

September 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) -----

Federal Government Securities:

- Ijarah Sukuks	8,001,043	-	48,771	8,049,814	6,000,000	-	15,600	6,015,600
- Others (Bai Muajjal with GOP @ 13.30%)	12,469,562	-	-	12,469,562	11,641,133	-	-	11,641,133
	20,470,605	-	48,771	20,519,376	17,641,133	-	15,600	17,656,733

Non Government Debt Securities:

- Listed	8,300,000	-	295,676	8,595,676	8,400,000	-	311,740	8,711,740
- Unlisted	16,947,781	(130,807)	323,428	17,140,402	15,539,747	(130,807)	332,228	15,741,168
	25,247,781	(130,807)	619,104	25,736,078	23,939,747	(130,807)	643,968	24,452,908
Total Investments	45,718,386	(130,807)	667,875	46,255,454	41,580,880	(130,807)	659,568	42,109,641

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

38.2 Islamic financing and related assets - net

Ijarah	118,807	168,788
Murabaha	1,963,901	3,464,401
Diminishing Musharaka	20,599,770	17,614,309
Istisna	-	50,000
Other Islamic Modes (Wakala tul Istismar, Tijarat)	8,898,000	8,500,000
Advances against Islamic assets (Murabaha, DIM, Istisna)	3,788,501	8,076,678
Inventory related to Islamic financing (Istisna)	3,129,000	275,600
Gross Islamic financing and related assets	38,497,979	38,149,776

Less: provision against Islamic financings

- Specific	(727,208)	(602,913)
- General	(80)	(159)
	(727,288)	(603,072)
Islamic financing and related assets - net of provision	37,770,691	37,546,704

		(Un-audited) September 30, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
38.3	Deposits and other accounts		
	Customers		
	Current deposits	19,038,591	26,474,979
	Savings deposits	42,289,748	33,051,442
	Term deposits	8,296,441	10,129,005
		<u>69,624,780</u>	<u>69,655,426</u>
	Financial Institutions		
	Current deposits	427,143	778,039
	Savings deposits	8,165,270	3,633,797
	Term deposits	211,728	1,201,000
		<u>8,804,141</u>	<u>5,612,836</u>
		<u>78,428,921</u>	<u>75,268,262</u>
38.4	Unappropriated / unremitted profit		
	Opening balance	2,108,388	2,039,140
	Add: Islamic banking profit for the period	947,187	2,108,388
	Less: Transferred / remitted to head office	(2,108,388)	(2,039,140)
	Closing balance	<u>947,187</u>	<u>2,108,388</u>
		(Un-audited) September 30, 2021	(Un-audited) September 30, 2021
		----- (Rupees in '000) -----	
38.5	Profit / return earned		
	Profit earned on:		
	Financing	2,185,339	3,136,237
	Investments	1,979,045	2,075,074
	Placements	295	23,470
	Others (Bai Muajjal)	930,702	945,785
		<u>5,095,381</u>	<u>6,180,566</u>
38.6	Profit / return expensed		
	Deposits and other accounts	1,812,678	2,339,136
	Finance charge on right of use assets	61,945	69,081
	Others (General Account)	323,103	340,030
		<u>2,197,726</u>	<u>2,748,247</u>


39. GENERAL

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

40. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated condensed interim financial statements were authorized for issue on 27 OCT 2021 by the Board of Directors of the Bank.


Chairman


President / CEO


Chief Financial Officer


Director


Director

**NATIONAL BANK OF PAKISTAN
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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 nine-month period ended September 30, 2021.

Consolidated after-tax profit for the nine-months period ended September 30, 2021 amounted to PKR 24.64 billion, being 5.9% lower than PKR 26.18 billion earned for the corresponding nine-months period of 2021. During this period, the Bank's subsidiaries contributed a net profit of PKR 237.8 million (Sep '20: PKR 223.8 million) towards the Group's profitability, and the share of profits from associates was PKR 9.6 million (Sep '20: PKR 6.6 million). A profit of PKR 125.6 million (Sep'20: loss of PKR 241.4 million) was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS stood at PKR 11.53 as compared to PKR 12.28 for the similar period of 2020. As of September 30, 2021, consolidated assets of the Bank were 27.0% higher at PKR 3,832.8 billion compared to the December 31, 2020 level of PKR 3,017.2 billion.

Profit for the nine-month period ended September 30, 2021 after carry forward of accumulated profit of 2020 is proposed to be appropriated as follows:

	(PKR 'Bn)
After-tax profit for the nine-months ended September 30, 2021	24.64
Unappropriated profit brought forward	120.63
Other comprehensive income- net of tax	(0.38)
Non-controlling interest	(0.11)
Transfer from surplus on revaluation of fixed assets	0.18
Profit available for appropriations	144.97
Appropriation:	
Transfer to Statutory Reserve	(2.41)
Unappropriated profit carried forward	142.55

For and on behalf of the Board of Directors


Arif Usmani

President & CEO
Karachi

Date: October 27, 2021


Zubyr Soomro
Chairman

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

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

ASSETS

Cash and balances with treasury banks	6	220,625,871	249,969,566
Balances with other banks	7	17,570,319	15,015,366
Lendings to financial institutions	8	267,932,513	126,804,675
Investments	9	2,134,409,942	1,466,405,373
Advances	10	1,016,804,928	983,871,421
Fixed assets	11	55,464,366	55,086,809
Intangible assets	12	858,320	1,022,143
Right of use assets	13	7,342,641	7,017,020
Deferred tax assets	14	172,470	-
Other assets	15	111,649,271	112,017,619
		3,832,830,641	3,017,209,992

LIABILITIES

Bills payable	16	20,753,630	16,795,186
Borrowings	17	780,886,343	138,539,005
Deposits and other accounts	18	2,551,171,567	2,418,928,469
Liabilities against assets subject to finance lease	19	157,302	197,224
Lease liability against right of use assets	20	8,548,697	7,869,355
Deferred tax liabilities	14	-	2,933,124
Other liabilities	21	173,587,656	157,545,347
		3,535,105,195	2,742,807,710

NET ASSETS

297,725,446	274,402,282
--------------------	--------------------


REPRESENTED BY

Share capital		21,275,131	21,275,131
Reserves		61,835,719	57,591,417
Surplus on revaluation of assets	22	71,040,849	73,987,802
Unappropriated profit		142,550,661	120,631,784
		296,702,360	273,486,134
Non-controlling interest		1,023,086	916,148
		297,725,446	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 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

		Quarter ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Note		(Rupees in '000)			
Mark-up / return / interest earned	24	58,531,343	60,812,317	166,620,932	206,205,915
Mark-up / return / interest expensed	25	33,514,072	29,363,265	94,120,234	126,171,151
Net mark-up / return / interest income		25,017,271	31,449,052	72,500,698	80,034,764
NON MARK-UP / INTEREST INCOME					
Fee and commission income	26	4,227,613	4,394,122	13,764,225	13,707,840
Dividend income		1,303,724	260,850	2,773,390	1,281,163
Foreign exchange income		2,235,620	721,277	5,010,640	3,549,299
Gain on securities - net	27	1,291,336	3,615,189	5,447,676	6,944,056
Share of profit / (loss) from joint venture - net of tax		69,399	(23,732)	125,608	(241,355)
Share of profit / (loss) from associates - net of tax		(21,348)	69,588	9,591	6,622
Other income	28	453,096	746,917	1,408,319	3,291,120
Total non-mark-up / interest income		9,559,440	9,784,211	28,539,449	28,538,745
Total income		34,576,711	41,233,263	101,040,147	108,573,509
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	29	16,740,637	15,761,532	48,067,245	45,635,096
Workers welfare fund		-	-	-	-
Other charges	30	10,042	4,240	34,914	298,692
Total non-markup / interest expenses		16,750,679	15,765,772	48,102,159	45,933,788
Profit before provisions		17,826,032	25,467,491	52,937,988	62,639,721
Provisions and write offs - net	31	5,136,449	7,644,801	12,074,333	23,226,260
PROFIT BEFORE TAXATION		12,689,583	17,822,690	40,863,655	39,413,461
Taxation	32	5,095,291	6,753,384	16,221,990	13,232,740
PROFIT AFTER TAXATION		7,594,292	11,069,306	24,641,665	26,180,721
Attributable to:					
Shareholders of the Bank		7,551,733	11,054,438	24,531,913	26,121,029
Non-controlling interest		42,559	14,868	109,752	59,692
		7,594,292	11,069,306	24,641,665	26,180,721
(Rupees)					
Earnings per share - basic and diluted	33	3.55	5.20	11.53	12.28

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	Quarter ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Rupees in '000)			
Profit after taxation for the period	7,594,292	11,069,306	24,641,665	26,180,721
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	3,043,260	2,523,407	1,829,843	2,650,809
Movement in surplus on revaluation of investments - net of tax	(4,769,296)	(5,365,753)	(2,739,351)	5,907,214
	(1,726,036)	(2,842,346)	(909,508)	8,558,023
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	(609,688)	186,107	(378,816)	(471,505)
Movement in surplus on revaluation of fixed assets - net of tax	128	448	(27,361)	590,444
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
	(609,559)	186,554	(406,177)	118,939
Total comprehensive income	5,258,696	8,413,514	23,325,980	34,857,683
Total comprehensive income attributable to:				
Shareholders of the Bank	5,216,137	8,398,646	23,216,228	34,797,991
Non-controlling interest	42,559	14,868	109,752	59,692
	5,258,696	8,413,514	23,325,980	34,857,683

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

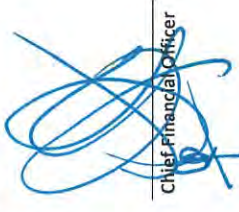
**NATIONAL BANK OF PAKISTAN
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

	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	Investments	Fixed / non-banking assets					Total
Balance as at January 01, 2020	21,275,131	11,570,596	33,168,855	8,000,000	521,338	53,260,789	25,253,452	45,105,135	70,358,587	93,465,516	238,360,023	862,532	239,222,555
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	2,650,809	-	-	-	2,650,809	5,907,214	590,444	6,497,658	26,121,029	26,121,029	59,692	26,180,721
Transfer to statutory reserve	-	-	2,613,419	-	-	2,613,419	-	-	-	(471,505)	8,676,962	-	8,676,962
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(172,784)	(172,784)	(2,613,419)	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	172,784	-	-	-
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at October 01, 2020	21,275,131	14,221,405	35,782,274	8,000,000	521,338	58,525,017	31,160,666	45,522,796	76,683,462	116,674,404	273,158,014	922,224	274,080,238
Profit after taxation for the three months period ended December 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	(1,376,073)	-	-	-	(1,376,073)	(2,909,782)	271,719	(2,638,064)	4,368,725	4,368,725	36,474	4,405,199
Transfer to statutory reserve	-	-	442,473	-	-	442,473	-	-	-	(26,467)	(4,040,603)	-	(4,040,603)
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(57,595)	(57,595)	(442,473)	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	57,595	-	-	-
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 nine months period ended September 30, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	1,829,843	-	-	-	1,829,843	(2,739,351)	(27,361)	(2,766,712)	24,531,913	24,531,913	109,752	24,641,665
Transfer to statutory reserve	-	-	2,414,459	-	-	2,414,459	-	-	-	(378,816)	(1,315,685)	-	(1,315,685)
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(180,239)	(180,239)	(2,414,459)	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	180,239	-	-	-
Cash dividend paid for the year ended December 31, 2020 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,814)	(2,814)
Balance as at September 30, 2021	21,275,131	14,675,175	38,639,206	8,000,000	521,338	61,835,719	25,511,532	45,529,318	71,040,849	142,550,661	296,702,360	1,023,086	297,725,446

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 CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

September 30, September 30,
2021 2020
Note ----- (Rupees in '000) -----

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	40,863,655	39,413,461
Less: dividend income	<u>(2,773,390)</u>	<u>(1,281,163)</u>
	38,090,265	38,132,298
Adjustments:		
Depreciation on fixed assets	1,890,295	1,976,282
Depreciation on right of use assets	1,532,654	1,520,625
Amortization	233,125	132,972
Provision and write-offs - net	12,074,333	23,226,260
Gain on sale of fixed assets	(21,065)	(6,308)
Financial charges on leased assets	100,216	33,169
Financial charges on right-of-use-assets	603,646	585,008
Unrealized gain on revaluation of investments classified as held-for-trading	71,929	24,911
Charge for defined benefit plans - net	5,551,176	5,549,228
Share of loss / (profit) from joint venture - net of tax	(125,608)	241,355
Share of loss / (profit) from associates - net of tax	(9,591)	(6,622)
	<u>21,901,110</u>	<u>33,276,881</u>
	59,991,375	71,409,179
(Increase) / decrease in operating assets		
Lendings to financial institutions	(141,156,915)	93,459,166
Held-for-trading securities	(32,818,347)	(16,990,790)
Advances	(47,380,825)	90,496,791
Other assets (excluding advance taxation)	(5,565,946)	22,158,016
	<u>(226,922,033)</u>	<u>189,123,183</u>
Increase/ (decrease) in operating liabilities		
Bills payable	3,958,444	21,614,068
Borrowings from financial institutions	612,795,336	(291,459,286)
Deposits	132,243,098	(23,001,220)
Other liabilities (excluding current taxation)	11,927,158	(44,497,393)
	<u>760,924,036</u>	<u>(337,343,831)</u>
Financial charges paid	(703,862)	(618,177)
Income tax paid / adjusted	(8,420,673)	(173,567)
Benefits paid	(1,240,225)	(1,331,960)
Net cash flows generated from operating activities	<u>583,628,618</u>	<u>(78,935,174)</u>

CASH FLOW FROM INVESTING ACTIVITIES

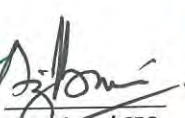
Net investments in available-for-sale securities	(670,708,158)	(36,265,062)
Net investments in held-to-maturity securities	31,214,532	132,439,134
Dividends received	1,613,593	877,163
Investments in fixed assets	(2,285,823)	(1,684,097)
Proceeds from sale of fixed assets	62,780	64,868
Effect of translation of net investment in foreign branches	1,829,843	2,650,809
Net cash flows (used in) / generated from investing activities	<u>(638,273,233)</u>	<u>98,082,814</u>

CASH FLOW FROM FINANCING ACTIVITIES

Payments of lease obligations	(1,724,592)	(1,431,368)
Dividend paid	(2,613)	(1,085)
Net cash flow used in financing activities	<u>(1,727,205)</u>	<u>(1,432,453)</u>
Increase in cash and cash equivalents	<u>(56,371,821)</u>	<u>17,715,187</u>
Cash and cash equivalents at beginning of the period	263,741,704	264,816,479
Cash and cash equivalents at end of the period	<u>207,369,883</u>	<u>282,531,666</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 NINE MONTHS PERIOD ENDED SEPTEMBER 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 19 (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) September 30, 2021	(Audited) December 31, 2020
Note	----- (Rupees in '000) -----	

6. CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency	50,377,508	48,499,942
Foreign currencies	9,111,189	6,925,688
	59,488,697	55,425,630

With State Bank of Pakistan in

Local currency current accounts	6.1	95,201,602	125,017,412
Foreign currency current accounts	6.2	11,135,680	10,209,399
Foreign currency deposit accounts	6.2	22,872,468	21,022,297
Foreign currency collection accounts		1,334,661	1,618,084
		130,544,411	157,867,192

With other central banks in

Foreign currency current accounts	6.3	23,425,818	29,581,326
Foreign currency deposit accounts	6.3	3,561,364	4,789,170
		26,987,182	34,370,496
Prize bonds		3,605,581	2,306,248
		220,625,871	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) September 30, 2021	(Audited) December 31, 2020
Note	----- (Rupees in '000) -----	

7. BALANCES WITH OTHER BANKS

In Pakistan

In current accounts	7.1	105,976	33,502
In deposit accounts		398,227	394,071
		504,203	427,573

Outside Pakistan

In current accounts	7.2	10,910,153	8,708,983
In deposit accounts		6,155,963	5,878,810
		17,066,116	14,587,793
		17,570,319	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 0.0% to 1.5% per annum (December 31, 2020: 0.0% to 2.5% per annum).

	(Un-audited) September 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	265,922,790	124,763,875
Letters of placement	8.3	174,150	176,150
	8.4	268,106,663	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>267,932,513</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 6.25% to 8.00% per annum (December 31, 2020: 6.00% to 7.29% per annum) with maturities ranging from October 01, 2021 to October 25, 2021.
- 8.3 These are overdue placements and full provision has been made against these placements as at September 30, 2021.

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

8.4 Particulars of lending

In local currency	<u>268,106,663</u>	<u>126,980,825</u>
	<u>268,106,663</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

	September 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Held by Bank	Further given as collateral	Total	Total
Market Treasury Bills	7,633,010	-	7,633,010	91,230,121
Pakistan Investment Bonds	258,289,780	-	258,289,780	33,533,754
Total	265,922,790	-	265,922,790	124,763,875

(Rupees in '000)

8.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 264,251 million (December 31, 2020: Rs. 125,094 million).

8.7 Category of classification

	September 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

(Rupees in '000)

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

September 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)							
122,895,390	-	(22,714)	122,872,676	96,157,306	-	3,529	96,160,835
6,106,785	-	(33,487)	6,073,298	496,805	-	(1,455)	495,350
146,780	-	-	146,780	157,217	-	-	157,217
459,105	-	(15,728)	443,377	282,361	-	8,482	290,843
1,327,331	-	-	1,327,331	1,105,840	-	-	1,105,840
130,935,391	-	(71,929)	130,863,462	98,199,529	-	10,556	98,210,085
1,181,351,105	-	(75,705)	1,181,275,400	529,397,138	-	690,817	530,087,955
482,443,032	-	(1,211,162)	481,231,870	470,136,168	-	2,776,564	472,912,732
8,046,494	-	48,771	8,095,265	6,000,000	-	15,600	6,015,600
33,256,257	(5,863,753)	13,474,594	40,867,098	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
1,712,813	(539,708)	99,303	1,272,408	1,445,308	(539,708)	194,250	1,099,850
55,764,996	(5,210,000)	895,419	51,450,415	60,250,294	(5,196,406)	856,659	55,910,547
21,036,700	-	122,459	21,159,159	10,429,632	-	411,243	10,840,875
851,484	-	37,959	889,443	2,795,017	-	52,159	2,847,176
-	-	-	-	79,438	-	1,202	80,640
619,646	(41,167)	1,287,449	1,865,928	619,646	(41,167)	1,421,691	2,000,170
463,293	-	24,959,487	25,422,781	463,295	-	17,189,483	17,652,778
1,787,432,802	(12,065,521)	39,638,574	1,815,005,856	1,116,724,644	(11,756,410)	43,867,153	1,148,835,387
132,948,928	-	-	132,948,928	168,676,415	-	-	168,676,415
415,931	(407,134)	-	8,797	414,972	(407,134)	-	7,838
12,469,562	-	-	12,469,562	11,641,133	-	-	11,641,133
2,960,619	-	-	2,960,619	-	-	-	-
33,141,717	-	-	33,141,717	32,418,809	-	-	32,418,809
658	-	-	658	618	-	-	618
181,937,415	(407,134)	-	181,530,281	213,151,947	(407,134)	-	212,744,813
1,264,246	(667,586)	-	596,660	1,259,067	(697,984)	-	561,083
6,413,683	-	-	6,413,683	6,054,005	-	-	6,054,005
1,245	(1,245)	-	-	1,245	(1,245)	-	-
2,107,984,782	(13,141,489)	39,566,645	2,134,409,942	1,435,390,437	(12,862,773)	43,877,709	1,466,405,373

		(Un-audited) September 30, 2021	(Audited) December 31, 2020	
		(Rupees in '000)		
				Note
9.1.1	Investments given as collateral			
	Pakistan Investment Bonds	34,500,000	2,300,000	
	Market Treasury Bills	583,435,527	3,000,000	
		<u>617,935,527</u>	<u>5,300,000</u>	17.4
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	1,052,750	1,258,140	
	Reversals for the period	(774,034)	(1,291,233)	
		<u>278,716</u>	<u>(33,093)</u>	
	Closing Balance	<u>13,141,489</u>	<u>12,862,773</u>	

Category of classification	September 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	NPI	Provision	NPI	Provision
Domestic				
Doubtful	-	-	119,133	59,567
Loss	5,625,899	5,617,134	5,552,738	5,543,973
	5,625,899	5,617,134	5,671,871	5,603,540

9.3 The market value of securities classified as held-to-maturity as at September 30, 2021 amounted to Rs. 171,977 million (December 31, 2020: Rs. 218,678 million).

10. ADVANCES

	Note	Performing		Non Performing		Total	
		(Un-audited) September 30, 2021	(Audited) December 31, 2020	(Un-audited) September 30, 2021	(Audited) December 31, 2020	(Un-audited) September 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.		947,290,359	932,517,097	188,495,647	160,534,747	1,135,786,006	1,093,051,844
Islamic financing and related assets		37,895,142	37,546,863	602,837	602,913	38,497,979	38,149,776
Net Investment in finance lease	10.1	50,387	58,239	28,944	28,944	79,331	87,183
Bills discounted and purchased		20,797,035	18,998,127	12,945,291	10,646,008	33,742,326	29,644,135
Advances - gross	10.2	1,006,032,923	989,120,326	202,072,719	171,812,612	1,208,105,642	1,160,932,938
Provision against advances							
- Specific		-	-	178,928,369	154,587,769	178,928,369	154,587,769
- General		12,372,344	22,473,748	-	-	12,372,344	22,473,748
Advances - net of provision	10.4	12,372,344	22,473,748	178,928,369	154,587,769	191,300,713	177,061,517
		993,660,579	966,646,578	23,144,350	17,224,843	1,016,804,928	983,871,421

10.1 Net Investment in Finance Lease

	September 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	53,952	152	-	54,104	61,751	556	-	62,307
Residual value	49,434	185	-	49,619	48,804	815	-	49,619
Minimum lease payments	103,386	337	-	103,722	110,555	1,371	-	111,926
Financial charges for future periods	24,390	1	-	24,391	24,710	32	-	24,743
Present value of minimum lease payments	78,996	336	-	79,331	85,845	1,339	-	87,183

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Group requires the lessee to insure the leased assets in favour of the Group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (December 31, 2020: 10.19% to 17.30%) per annum.

10.2 Particulars of advances (Gross)

	(Un-audited) (Audited)	
	September 30, 2021	December 31, 2020
(Rupees in '000)		
In local currency	1,095,065,274	1,071,981,593
In foreign currencies	113,040,368	88,951,345
	1,208,105,642	1,160,932,938

10.3 Advances include Rs. 202,073 million (2020: Rs. 171,813 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) September 30, 2021		(Audited) December 31, 2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	4,553,111	104,346	1,626,950	45,392
Substandard	12,934,155	3,097,328	5,418,693	1,336,002
Doubtful	9,297,043	4,579,598	15,816,861	7,881,223
Loss	130,098,364	127,463,283	106,261,071	103,917,273
	156,882,673	135,244,555	129,123,575	113,179,889
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	11,666	9,183
91 to 180 days	-	-	-	-
181 to 365 days	281,945	140,973	-	-
> 365 days	44,908,101	43,542,841	42,677,371	41,398,697
	45,190,046	43,683,814	42,689,037	41,407,880
Total	202,072,719	178,928,369	171,812,612	154,587,769

10.4 Particulars of provision against advances

Note	September 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	2,710,274	19,774	2,730,048	1,462,567	15,535	1,478,102
Charge for the period / year	16,683,078	(2,410,318)	14,272,760	19,001,917	13,707,207	32,709,124
Reversals	(2,504,589)	(50,902)	(2,555,491)	(3,138,355)	(321,795)	(3,460,150)
	14,178,490	(2,461,220)	11,717,270	15,863,562	13,385,412	29,248,974
Amounts written off	(149,546)	-	(149,546)	(89,494)	-	(89,494)
Amounts charged off - agriculture financing	(58,576)	-	(58,576)	(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	178,928,369	12,372,344	191,300,713	154,587,769	22,473,748	177,061,517

10.4.1 Particulars of provision against advances

	September 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	135,244,555	12,122,197	147,366,752	113,179,889	22,274,089	135,453,978
In foreign currencies	43,683,814	250,147	43,933,961	41,407,880	199,659	41,607,539
	178,928,369	12,372,344	191,300,713	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. 6,521 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 September 30, 2021, 77 (December 31, 2020: 77) corporate borrowers, having aggregate outstanding exposure of Rs. 131,360 million (December 31, 2020: 145,851), have availed regulatory relief extended by SBP amounted to Rs. 27,357 million (December 31, 2020: Rs. 27,357 million).

	Note	(Un-audited) September 30, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,475,028	2,232,001
Property and equipment		52,989,338	52,854,808
		<u>55,464,366</u>	<u>55,086,809</u>
11.1 Capital work-in-progress			
Civil works		2,241,459	2,040,456
Equipment		10,825	10,825
Advances to suppliers and contractors		59,879	59,000
Software implementation in progress		162,865	121,720
		<u>2,475,028</u>	<u>2,232,001</u>
		(Un-audited) September 30, 2021	(Un-audited) September 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		444,941	107,974
Property and equipment		-	3,622
Building on freehold land		30,813	60,802
Building on leasehold land		491,401	686,127
Furniture and fixture		392,449	139,171
Computer and peripheral equipment		287,927	442,825
Electrical, office equipment		775,176	196,192
Vehicles		20,428	55,741
Assets held under finance lease - Vehicles		1,998,194	1,584,478
		<u>2,443,135</u>	<u>1,692,452</u>
Total			
11.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Building on leasehold land		-	40
Furniture and fixture		4,336	17,396
Computer and peripheral equipment		77	4,618
Electrical, office equipment		1,020	3,322
Vehicles		28,101	26,465
Assets held under finance lease - Vehicle		7,816	6,651
Assets held under Ijarah - Machinery		20	4
Assets held under Ijarah - Vehicle		344	8
		<u>41,714</u>	<u>58,505</u>
Total			

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

12. INTANGIBLE ASSETS

Computer Software	295,767	457,558
Goodwill on NBP Fund Acquisition	562,553	562,553
Others	-	2,032
	<u>858,320</u>	<u>1,022,143</u>

(Un-audited) September 30, 2021	(Un-audited) September 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	<u>63,643</u>	<u>116,089</u>
--------------------	---------------	----------------

(Un-audited) September 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	7,017,020	7,447,414
Additions during the period / year	1,904,850	1,622,504
Derecognition during the period / year	(46,575)	-
Depreciation charged for the period / year	<u>(1,532,654)</u>	<u>(2,052,898)</u>
Balance as at	<u>7,342,641</u>	<u>7,017,020</u>

14. DEFERRED TAX ASSETS / (LIABILITIES)

Deductible temporary differences on

- Tax losses carried forward	10,705	10,705
- Post retirement employee benefits	4,389,837	4,188,201
- Provision for diminution in the value of investments	236,751	236,751
- Provision against loans and advances	10,067,592	9,084,601
- Provision against off-balance sheet obligations	115,222	115,222
- Accelerated tax depreciation	1,024,305	1,123,974
- Right of use assets	433,023	-
- Other provisions	105,416	105,416
- Others	-	3,058
	<u>16,382,851</u>	<u>14,867,928</u>

Taxable temporary differences on

- Surplus on revaluation of fixed assets	(2,299,767)	(2,396,819)
- Surplus on revaluation of investments	(13,865,518)	(15,346,840)
- Surplus on revaluation of non-banking assets	(44,713)	(44,713)
- Excess of accounting book value of leased assets over lease liabilities	(383)	(12,680)
	<u>(16,210,381)</u>	<u>(17,801,052)</u>
	<u>172,470</u>	<u>(2,933,124)</u>

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

15. OTHER ASSETS

Income / return / mark-up accrued in local currency	34,652,258	39,649,974
Income / return / mark-up accrued in foreign currency	3,007,939	2,353,317
Advances, deposits, advance rent and other prepayments	5,140,582	3,069,977
Income tax refunds receivable & advance taxation (payments less provisions)	15.1 15,070,859	27,392,273
Compensation for delayed tax refunds	18,849,000	17,556,551
Non-banking assets acquired in satisfaction of claims	1,244,237	1,255,834
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	208,423
Unrealized gain on forward foreign exchange contracts	6,447,805	-
Commission receivable on Government treasury transactions	10,467,077	4,612,174
Stationery and stamps on hand	473,413	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	817,760	128,290
Receivable from Pakistan Stock Exchange	41,605	128,743
Receivable from mutual funds	950,573	892,552
Acceptances	15,528,345	15,741,754
Others	6,906,338	6,760,465
	<u>120,743,619</u>	<u>121,187,243</u>
Less: Provision held against other assets	15.2 11,806,843	11,882,119
Other assets (net of provision)	<u>108,936,776</u>	<u>109,305,124</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	2,712,495	2,712,495
Other assets - total	<u>111,649,271</u>	<u>112,017,619</u>

15.1 During the period Rs. 3,987 million were adjusted against Income tax refunds on account of advance tax liability.

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

15.2 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	4,131,447	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	4,672,071	4,786,515
	<u>11,806,843</u>	<u>11,882,119</u>

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
15.1.1 Movement in provision held against other assets		
Opening balance	11,882,119	10,853,588
Charge for the year / period	37,766	1,511,502
Transfer (out) / in	-	(484,393)
Adjustment against provision	(113,042)	1,422
Closing balance	<u>11,806,843</u>	<u>11,882,119</u>
16. BILLS PAYABLE		
In Pakistan	20,637,449	16,718,064
Outside Pakistan	<u>116,181</u>	<u>77,122</u>
	<u>20,753,630</u>	<u>16,795,186</u>
17. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	5,734,770	2,451,874
Under Export Refinance Scheme (New Scheme)	22,580,991	28,686,149
Financing Scheme for Renewable Energy	779,611	481,261
Refinance Facility for Modernization of SMEs	-	177,976
Financing Facility for storage of Agriculture Produce (FFSAP)	591,354	256,184
Under Long-Term Financing Facility (LTFF)	20,185,027	16,380,117
Refinance Scheme for Payment of Wages and Salaries	1,437,369	1,167,527
Temporary Economic Refinance Facility	6,559,249	537,912
Refinance Facility for Combating Covid-19	51,206	61,448
	<u>57,919,577</u>	<u>50,200,448</u>
Repurchase agreement borrowings	617,935,527	5,266,007
Bai Muajjal	<u>72,195,209</u>	<u>79,788,522</u>
	<u>748,050,313</u>	<u>135,254,977</u>
Unsecured		
Call borrowings	27,068,235	2,047,588
Overdrawn nostro accounts	<u>5,767,795</u>	<u>1,236,440</u>
	<u>32,836,030</u>	<u>3,284,028</u>
	<u>780,886,343</u>	<u>138,539,005</u>
17.1 Particulars of borrowings with respect to currencies		
In local currency	753,818,108	136,491,430
In foreign currencies	<u>27,068,235</u>	<u>2,047,575</u>
	<u>780,886,343</u>	<u>138,539,005</u>
17.2 Mark-up / interest rates and other terms are as follows:		
- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3.00% (December 31, 2020: 3.00%).		
- Repurchase agreement borrowings carry mark-up ranging from 7.10% to 7.40% per annum (December 31, 2020: 7.00% to 7.05% per annum) having maturity on ranging from October 1, 2021 to October 25, 2021.		
- Call borrowings carry interest ranging from 0% to 3.0% per annum (December 31, 2020: 0% to 2.00% per annum).		
17.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.		
17.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 617,936 million (December 31, 2020: Rs. 5,300 million).		

18. DEPOSITS AND OTHER ACCOUNTS

	September 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	500,895,747	-	500,895,747	405,738,851	-	405,738,851
Current deposits - non-remunerative	449,313,574	134,085,050	583,398,624	433,284,063	116,597,781	549,881,844
Savings deposits	673,398,379	77,274,736	750,673,115	637,694,450	66,235,665	703,930,115
Term deposits	300,218,185	80,543,397	380,761,582	276,454,916	81,153,488	357,608,404
Others	8,904,404	4,404	8,908,808	4,683,735	316,040	4,999,775
	1,932,730,289	291,907,587	2,224,637,876	1,757,856,015	264,302,974	2,022,158,989
Financial Institutions						
Current deposits	295,437,657	1,379,101	296,816,758	360,373,331	654,758	361,028,089
Savings deposits	16,495,845	-	16,495,845	4,253,051	3,246,855	7,499,906
Term deposits	6,982,726	5,557,244	12,539,970	12,392,089	8,739,494	21,131,583
Others	679,253	1,865	681,118	7,109,902	-	7,109,902
	319,595,481	6,938,210	326,533,691	384,128,373	12,641,107	396,769,480
	2,252,325,770	298,845,797	2,551,171,567	2,141,984,388	276,944,081	2,418,928,469

18.1 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 77,355 million (December 31, 2020: Rs. 73,145 million).

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	September 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	67,778	6,952	60,826	83,677	10,197	73,480
Later than one year and upto five years	100,013	3,537	96,476	129,092	5,348	123,744
Over five years	-	-	-	-	-	-
	167,791	10,489	157,302	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% to 12M KIBOR + 2.00% 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.

20. LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
	(Rupees in '000)	
Lease liabilities included in the statement of financial position	8,548,697	7,869,355
Of which are:		
Current lease liability	1,619,822	1,517,181
Non-current lease liability	6,928,875	6,352,174
	8,548,697	7,869,355
Maturity analysis - contractual undiscounted cash flows		
Less than one year	2,342,163	2,473,379
One to five years	6,586,084	6,130,245
More than five years	6,320,874	5,843,702
Total undiscounted lease liabilities	15,249,121	14,447,326

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

21. OTHER LIABILITIES

Mark-up / Return / Interest payable in local currency	28,916,203	37,808,884
Mark-up / Return / Interest payable in foreign currencies	460,136	844,452
Unearned commission and income on bills discounted	788,442	1,593,730
Accrued expenses	21.1 17,068,053	18,315,863
Advance payments	404,200	398,682
Acceptances	15,528,345	15,741,754
Unclaimed dividends	182,903	185,516
Unrealized loss on forward foreign exchange contracts	-	2,918,017
Unrealized loss on put option	306,339	306,339
Branch adjustment account	493,272	917,487
Employee benefits:		
Pension fund	16,419,950	15,704,077
Post retirement medical benefits	23,706,223	22,282,747
Benevolent scheme	1,944,579	2,054,218
Gratuity scheme	3,370,117	2,956,827
Compensated absences	9,775,996	9,251,755
Staff welfare fund	371,257	371,257
Liabilities relating to Barter trade agreements	2,267,128	2,142,033
Provision against off-balance sheet obligations	627,494	627,494
Provision against contingencies	4,365,700	4,180,071
Payable to brokers	62,234	65,137
Payable to customers	321,553	301,585
PIBs short selling	29,137,274	3,237,676
Others	17,070,258	15,339,746
	<u>173,587,656</u>	<u>157,545,347</u>

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) September 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 39,638,574	43,867,153
	- Fixed Assets	45,116,591	45,421,244
	- Non-banking assets	2,757,207	2,757,207
	- On securities of associates and joint venture	(261,524)	(269,430)
		<u>87,250,847</u>	<u>91,776,174</u>
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Available for sale securities	(13,865,518)	(15,346,840)
	- Fixed Assets	(2,299,767)	(2,396,819)
	- Non-banking assets	(44,713)	(44,713)
		<u>(16,209,998)</u>	<u>(17,788,372)</u>
		<u>71,040,849</u>	<u>73,987,802</u>
23.	CONTINGENCIES AND COMMITMENTS		
	Guarantees	23.1 243,194,955	206,831,672
	Commitments	23.2 2,045,120,333	1,417,860,011
	Other contingent liabilities	23.3 35,073,187	34,820,672
		<u>2,323,388,474</u>	<u>1,659,512,355</u>
23.1	Guarantees:		
	Financial guarantees	192,788,436	137,366,954
	Performance guarantees	50,406,519	69,464,718
		<u>243,194,955</u>	<u>206,831,672</u>
23.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- letters of credit	1,400,909,944	970,274,317
	Commitments in respect of:		
	- forward foreign exchange contracts	23.2.1 548,059,169	419,327,735
	- forward government securities transactions	23.2.2 95,295,017	27,625,340
	Commitments for acquisition of:		
	- operating fixed assets	856,203	632,619
	Other commitments	-	-
		<u>2,045,120,333</u>	<u>1,417,860,011</u>

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

23.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	342,313,584	272,245,550
Sale	205,745,585	147,082,185
	<u>548,059,169</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) September 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	

23.2.2 Commitments in respect of forward government securities transactions

Purchase	18,702,062	496,331
Sale	76,592,955	27,129,009
	<u>95,295,017</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) September 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>35,073,187</u>	<u>34,820,672</u>
---	-------------------	-------------------

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 September 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:

- Taxation officer has passed assessment order for tax year 2020 on May 31, 2021. The Bank has filed appeal before CIR(A) which is fixed for hearing on October 26, 2021. Stay has been granted against tax demand arising out of the assessment order. The Bank has not made any provision in respect of the additional tax liability of Rs. 4.29 billion arising out of the impugned order and the amount is instead shown as contingency, as the management based on tax consultants advice, is of the view that the issues are likely to be decided in Bank's favour.

Taxation officer has passed assessment order for tax year 2019 on August 26, 2021. The Bank has filed appeal before CIR(A) which is fixed for hearing on October 26, 2021. Stay has been granted against tax demand arising out of the assessment order. The Bank has not made any provision in respect of the additional tax liability of Rs. 2.46 billion arising out of the impugned order and the amount is instead shown as contingency, as the management based on tax consultants advice is of the view that the issues are likely to 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.

- c) 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.
- 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.

23.3.3 Contingencies in respect of employees benefits and related matters

As at September 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 period ended September 30, 2021 amounted to Rs. 74.6 billion, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for year 2021 onward will also increase by Rs. 7.8 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 favorable outcome on the matter.

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, as well as observations from subsequent Reports of Examination by US regulators, requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US Bank Secrecy Act requirements. The requirements also required enhancement and implementation of requisite systems and controls, as well as 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 Agreement and in subsequent examinations. However, the Bank remains vulnerable until it completes the required remedial actions and the same are endorsed by the US Regulators.

		(Un-audited) Nine months ended September 30, 2021	(Un-audited) September 30, 2020
Note		(Rupees in '000)	
24. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		63,363,392	78,012,117
Investments		100,312,371	124,953,955
On securities purchased under resale agreements		1,931,028	1,975,718
Balances with other banks		1,014,141	1,264,125
		<u>166,620,932</u>	<u>206,205,915</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		61,664,878	82,322,547
Borrowings		5,210,215	6,090,877
Cost of foreign currency swaps against foreign currency deposits		6,154,076	6,454,405
Finance charge on lease liability against right of use assets		603,646	585,008
Securities sold under repurchase agreements		20,487,419	30,718,314
		<u>94,120,234</u>	<u>126,171,151</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,215,975	1,354,149
Consumer finance related fees		633,082	496,207
Card related fees		1,311,090	774,605
Credit related fees		139,805	132,162
Investment banking fees		650,559	539,997
Commission on trade		1,504,644	1,451,176
Commission on guarantees		299,972	331,113
Commission on cash management		47,968	6,689
Commission on remittances including home remittances		1,090,874	858,066
Commission on bancassurance		222,671	190,917
Commission on government transactions		5,537,317	6,626,429
Management fee and sale load		946,994	744,774
Brokerage income		100,267	84,646
Others		63,007	116,909
		<u>13,764,225</u>	<u>13,707,840</u>
27. GAIN ON SECURITIES - NET			
Realised	27.1	5,519,605	6,968,967
Unrealized - held-for-trading	9.1	(71,929)	(24,911)
		<u>5,447,676</u>	<u>6,944,056</u>
27.1 Realised gain on:			
Federal Government Securities		465,768	5,258,905
Shares and mutual funds		4,917,489	1,031,382
Ijarah Sukuks		10,809	8
Foreign Securities		125,539	678,672
		<u>5,519,605</u>	<u>6,968,967</u>
28. OTHER INCOME			
Rent on property		42,302	18,581
Gain on sale of fixed assets - net		21,065	6,308
Compensation for delayed tax refunds	28.1	1,292,449	3,097,448
Remittances expense reimbursed by SBP		-	112,861
Others		52,503	55,923
		<u>1,408,319</u>	<u>3,291,120</u>

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

(Un-audited) (Un-audited)
Nine months ended
September 30, September 30,
2021 2020
 ----- (Rupees in '000) -----

29. OPERATING EXPENSES

Total compensation expense 31,883,031 30,203,100

Property expense

Rent and taxes	736,675	366,844
Insurance	25,593	33,297
Utilities cost	1,051,927	868,371
Security (including guards)	2,033,720	1,944,375
Repair and maintenance (including janitorial charges)	621,870	718,854
Depreciation	367,436	333,779
Depreciation on non banking assets	11,597	11,838
Depreciation on Ijarah assets	49,730	67,393
Depreciation on right of use assets	1,532,654	1,520,625
	6,431,203	5,865,376

Information technology expenses

Software maintenance	880,258	805,677
Hardware maintenance	24,382	11,891
Depreciation	231,044	219,839
Amortization	233,125	132,972
Network charges	404,851	362,919
IT Manage Services	186,857	187,228
	1,960,516	1,720,526

Other operating expenses

Directors' fees and reimbursement of other expenses	16,799	27,839
Directors' fees and allowances - subsidiaries	9,695	6,990
Fees and allowances to Shariah Board	8,634	6,974
Legal and professional charges	727,587	940,237
Outsourced services costs	456,961	598,230
Travelling and conveyance	469,706	370,069
NIFT clearing charges	123,711	118,074
Depreciation	1,230,488	1,343,433
Training and development	27,301	46,806
Postage and courier charges	168,683	157,519
Communication	252,117	240,655
Stationery and printing	1,058,679	941,138
Marketing, advertisement and publicity	98,209	120,673
Donations	-	100
Contributions for other Corporate and Social Responsibility	6,216	85,447
Auditors' Remuneration	130,271	140,505
Fixed assets deficit	18,645	-
Financial charges on leased assets	100,216	33,169
Insurance	282,440	354,263
Entertainment	178,264	165,098
Clearing, verification, license fee charges	249,851	174,186
Vehicle Expenses	142,686	105,073
Repairs and maintenance	475,926	408,707
Brokerage	86,591	78,876
Deposit premium expense	1,178,330	1,030,977
Others	294,489	351,058
	7,792,495	7,846,095
	48,067,245	45,635,096

30. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	34,044	297,404
Penalties imposed by other regulatory bodies (Central bank of international branches)	359	85
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)	511	1,203
	34,914	298,692

		(Un-audited) Nine months ended September 30, 2021	(Un-audited) September 30, 2020
Note		(Rupees in '000)	
31. PROVISIONS & WRITE OFFS - NET			
	9.2	278,716	363,029
Provisions for diminution in value of investments	10.4	11,717,270	21,780,261
Provisions against loans and advances		78,347	1,082,969
Provision against other assets		<u>12,074,333</u>	<u>23,226,260</u>

32. TAXATION			
Current		17,637,810	20,235,017
Deferred		<u>(1,415,820)</u>	<u>(7,002,277)</u>
		<u>16,221,990</u>	<u>13,232,740</u>

		(Un-audited) Nine months ended September 30, 2021	(Un-audited) September 30, 2020
33. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the period (Rupees in 000's)		<u>24,531,913</u>	<u>26,121,029</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>11.53</u>	<u>12.28</u>

		(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENT			
Cash and balances with treasury banks		220,625,871	272,011,923
Balances with other banks		17,570,319	15,197,248
Call money lendings		2,009,723	140,800
Call money borrowings		<u>(27,068,235)</u>	<u>(2,538,424)</u>
Overdrawn nostro		<u>(5,767,795)</u>	<u>(2,279,881)</u>
		<u>207,369,883</u>	<u>282,531,666</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:

September 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	1,304,148,076	-	1,304,148,076	-	1,304,148,076
Pakistan Investment Bonds	487,305,168	-	487,305,168	-	487,305,168
Ijarah Sukuks	8,095,265	-	8,095,265	-	8,095,265
Ordinary shares of listed companies	41,013,878	41,013,878	-	-	41,013,878
Investment in mutual funds	2,309,305	-	2,309,305	-	2,309,305
Preference shares	1,272,408	1,272,408	-	-	1,272,408
Term Finance Certificates / Musharika and Sukuk Bonds	51,450,415	5,058,199	46,392,216	-	51,450,415
GoP Foreign Currency Bonds	21,159,159	-	21,159,159	-	21,159,159
Foreign Government Securities	2,216,774	-	2,216,774	-	2,216,774
Ordinary shares of a bank outside Pakistan	25,422,781	25,422,781	-	-	25,422,781
	1,944,393,229	72,767,266	1,871,625,963	-	1,944,393,229

Financial assets - disclosed but not measured at fair value

Pakistan Investment Bonds	132,948,928	-	131,630,975	-	131,630,975
GoP Foreign Currency Bonds	2,960,619	-	2,971,235	-	2,971,235
Foreign Government Securities	33,141,717	-	37,512,387	-	37,512,387
Foreign Currency Debt Securities	658	-	657	-	657
Associates	596,660	356,136	240,524	-	596,660
	169,648,582	356,136	172,355,778	-	172,711,914
	2,114,041,811	73,123,402	2,043,981,741	-	2,117,105,143

Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	548,059,169	-	6,447,805	-	6,447,805
Forward government securities transactions	95,295,017	-	(378,633)	-	(378,633)

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:

September 30, 2021 (Un-audited)				
Carrying Value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Land & building (property and equipment)	48,454,969	-	48,454,969	48,454,969
Non-banking assets acquired in satisfaction of claims	3,956,732	-	3,956,732	3,956,732
	52,411,701	-	52,411,701	52,411,701

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

Nine months period ended September 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
--	----------------------	-----------------------------	----------------------------------	----------	---	----------------------	-----------	--------------	-------

Profit and loss account

Net mark-up / return / interest income / (expense)	(40,188,310)	11,903,351	19,821,237	75,279,819	2,566,617	3,117,986	72,500,698	-	72,500,698
Inter segment revenue - net	77,547,204	(9,993,223)	(16,656,498)	(62,383,691)	-	11,486,208	-	-	-
Non mark-up / return / interest income	9,527,628	266,941	3,133,191	11,577,359	945,767	3,088,562	28,539,449	-	28,539,449
Total Income	46,886,522	2,177,069	6,297,930	24,473,487	3,512,384	17,692,756	101,040,147	-	101,040,147
Segment direct expenses	22,703,844	2,137,794	828,956	330,963	4,189,823	3,456,633	33,648,013	-	33,648,013
Inter segment expense allocation	-	-	-	-	-	14,454,146	14,454,146	-	14,454,146
Total expenses	22,703,844	2,137,794	828,956	330,963	4,189,823	17,910,779	48,102,159	-	48,102,159
Provisions and write offs - net	702,188	1,294,089	9,763,024	295,517	21,955	(2,440)	12,074,333	-	12,074,333
Profit / (loss) before taxation	23,480,490	(1,254,814)	(4,294,050)	23,847,007	(699,394)	(215,583)	40,863,655	-	40,863,655

September 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
--	----------------------	-----------------------------	----------------------------------	----------	---	----------------------	-----------	--------------	-------

Statement of financial position

Cash and balances with treasury and other banks	66,162,253	5,671,396	286,632	114,465,990	42,133,147	9,496,772	238,196,190	-	238,196,190
Investments	-	-	25,698,744	1,997,390,511	58,151,596	53,169,091	2,134,409,942	-	2,134,409,942
Net inter segment lending	1,893,063,451	-	-	-	-	264,265,626	2,157,329,075	(2,157,329,075)	-
Lendings to financial institutions	-	-	-	267,932,513	-	-	267,932,513	-	267,932,513
Advances - performing	183,010,408	175,292,765	540,897,575	-	64,490,158	42,342,019	1,006,032,923	-	1,006,032,923
- non-performing	4,777,609	22,402,901	64,416,263	-	44,923,654	65,552,292	202,072,719	-	202,072,719
Provision against advances	(9,014,885)	(17,851,136)	(56,076,635)	-	(43,667,569)	(64,690,491)	(191,300,713)	-	(191,300,713)
Advances - Net	178,773,130	179,844,530	549,237,203	-	65,746,244	43,203,820	1,016,804,928	-	1,016,804,928
Others	31,964,948	2,764,438	21,946,014	6,892,107	5,415,335	106,504,238	175,487,068	-	175,487,068
Total Assets	2,169,963,781	188,280,364	597,148,593	2,386,681,121	171,446,321	476,639,549	5,990,159,717	(2,157,329,075)	3,832,830,641
Borrowings	-	3,294,408	54,625,171	695,898,529	27,068,235	-	780,886,343	-	780,886,343
Deposits and other accounts	2,133,101,658	-	262,280,731	-	77,355,032	78,434,147	2,551,171,567	-	2,551,171,567
Net inter segment borrowing	-	181,895,260	259,217,617	1,638,331,838	64,518,075	13,366,285	2,157,329,075	(2,157,329,075)	-
Others	36,862,123	3,090,695	20,748,759	11,004,984	2,364,660	128,976,064	203,047,285	-	203,047,285
Total liabilities	2,169,963,781	188,280,364	596,872,278	2,345,235,351	171,306,002	220,776,495	5,692,434,270	(2,157,329,075)	3,535,105,195
Equity	-	-	276,316	41,445,770	140,319	255,863,054	297,725,446	-	297,725,446
Total equity and liabilities	2,169,963,781	188,280,364	597,148,593	2,386,681,121	171,446,321	476,639,549	5,990,159,717	(2,157,329,075)	3,832,830,641
Contingencies and commitments	-	28,541,799	1,607,912,161	627,455,300	23,549,825	35,929,389	2,323,388,474	-	2,323,388,474

Nine months period ended September 30, 2020 (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
(68,529,869)	14,215,935	39,469,109	88,981,491	2,050,516	3,847,582	80,034,764	-	80,034,764
107,069,275	(12,269,562)	(34,697,413)	(64,047,478)	-	3,945,178	-	-	-
9,338,986	817,406	2,071,443	10,344,723	1,618,315	4,347,871	28,538,745	-	28,538,745
47,878,392	2,763,779	6,843,139	35,278,736	3,668,830	12,140,630	108,573,509	-	108,573,509
20,397,588	1,669,220	619,277	264,335	4,171,262	2,989,216	30,110,898	-	30,110,898
-	-	-	-	-	15,822,890	15,822,890	-	15,822,890
20,397,588	1,669,220	619,277	264,335	4,171,262	18,812,106	45,933,788	-	45,933,788
397,221	6,049,232	16,179,725	113,869	(369,305)	855,518	23,226,260	-	23,226,260
27,083,583	(4,954,673)	(9,955,862)	34,900,531	(133,126)	(7,526,994)	39,413,461	-	39,413,461

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 and Investment Banking	Treasury	International, Financial Institution and Remittance	Head Office / Others	Sub total	Eliminations	Total
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	1,340,566,530	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	1,626,569	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	3,511,852	46,688,596	86,290,983	2,047,575	-	138,539,005	-	138,539,005
Deposits and other accounts	-	200,011,969	-	73,225,543	76,799,062	2,418,928,469	-	2,418,928,469
Net inter segment borrowing	136,108,152	323,788,034	1,375,268,749	63,868,561	9,593,146	1,908,626,642	(1,908,626,642)	-
Others	47,703,958	17,857,441	12,387,953	3,138,352	101,136,660	185,340,236	-	185,340,236
Total liabilities	2,116,595,854	142,735,878	588,346,040	1,473,947,665	142,280,030	4,651,434,352	(1,908,626,642)	2,742,807,710
Equity	-	212,690	43,487,200	464,603	230,237,799	274,402,282	-	274,402,282
Total equity and liabilities	2,116,595,853	142,735,878	588,558,730	1,517,434,885	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
-------------	---	---------------	---	------------	------------	---------------	---	---------------

Statement of financial position

Cash and balances with treasury and other banks
Investments
Net inter segment lending
Lendings to financial institutions

Advances - performing	128,340,996	538,861,528	-	43,633,881	46,262,759	989,120,326	-	989,120,326
- non-performing	22,497,098	47,548,441	-	42,345,094	55,414,108	171,812,612	-	171,812,612
Provision against advances	(8,383,514)	(19,538,451)	-	(41,266,079)	(55,758,937)	(177,061,517)	-	(177,061,517)
Advances - net	131,299,642	534,295,432	-	44,712,896	45,917,930	983,871,421	-	983,871,421
Others	24,462,197	1,626,569	22,588,501	366,297	122,127,117	175,143,591	-	175,143,591
Total Assets	2,116,595,853	142,735,878	588,558,730	1,517,434,885	417,766,667	4,925,836,633	(1,908,626,642)	3,017,209,992

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:

	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)	Other related parties	Provident Fund	Other related parties
(Rupees in '000)										
Balances with other banks										
In current accounts	-	-	-	190,670	-	-	-	-	2,951	-
	-	-	-	190,670	-	-	-	-	2,951	-
Advances										
Opening balance	-	233,267	2,981,029	-	-	-	-	395,117	-	23,386,325
Addition during the period / year	-	262,170	-	-	-	-	-	37,208,563	-	115,824,347
Repaid during the period / year	-	(28,264)	(31,250)	-	-	-	-	(31,840)	-	(115,673,056)
Transfer in / (out) - net*	-	(118,335)	-	-	-	-	-	(28,548)	-	(23,232,487)
Closing balance	-	348,838	2,949,779	-	-	-	-	233,267	2,981,029	305,117
Provisions against loans	-	-	2,837,287	-	-	-	-	-	2,837,287	-
Other Assets										
Interest / mark-up accrued	-	-	1,719,572	-	-	-	-	-	1,720,157	-
Borrowings										
Opening balance	-	-	-	9,111	-	-	-	-	-	-
Borrowings during the period / year	-	-	-	86,630	-	-	-	-	279,814	-
Settled during the period / year	-	-	-	-	-	-	-	-	(270,703)	-
Closing balance	-	-	-	95,741	-	-	-	-	9,111	-
Deposits and other accounts										
Opening balance	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	227,967	40,416,083
Received during the period / year	7,522	522,526	-	-	22,276,708	-	3,061,878	1,059,357	47,037,953	708,790
Withdrawn during the period / year	(7,503)	(539,486)	-	-	(22,330,577)	-	(3,640,817)	(1,266,869)	(46,979,185)	(630,132)
Transfer in / (out) - net*	58	(57,823)	-	-	-	-	-	-	41	(40,266,774)
Closing balance	1,397	102,451	-	-	5,000	-	790,705	13,084,504	17,793,657	227,967
Contingencies and commitments	-	-	-	-	-	-	-	-	-	-

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

	September 30, 2021 (Un-audited)					September 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	-	8,019	5	-	-	8,776	-	13,894	9	-	-	15,212
Rent income / lighting and power and bank charges	-	3,831	-	-	-	-	-	3,479	-	-	-	14,585

Expense

Mark-up / return / interest paid	-	-	18	55,888	1,064,969	1,614,408	-	-	300	108,346	865,880	3,141
Expenses paid to company in which Directors of the bank is interested as CEO and director	-	-	-	-	-	20,668	-	-	-	-	-	10,712
Remuneration to key management executives including charge for defined benefit plan	505,341	-	-	-	-	-	375,861	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	1,565	-	-	-	-	-	1,565

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. 5,537 million (September 30, 2020: Rs. 6,626 million) for the nine months period ended September 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. 383,308 million (December 31, 2020: Rs. 337,572 million) Rs. 1,098,461 million (December 31, 2020: Rs. 932,317 million) and Rs. 1,366,718 million (December 31, 2020: Rs. 948,335 million) respectively and income earned on advances and profit paid on deposits amounted to Rs. 15,403 million (September 30, 2020: Rs. 28,810 million) and Rs. 44,615 million (September 30, 2020: Rs. 54,252 million) respectively.

38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 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>
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	<u>201,606,042</u>	<u>176,735,007</u>
Eligible Additional Tier 1 Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>201,606,042</u>	<u>176,735,007</u>
Eligible Tier 2 Capital	<u>66,641,967</u>	<u>56,705,915</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>268,248,009</u>	<u>233,440,922</u>
Risk Weighted Assets		
Credit Risk	<u>902,797,473</u>	<u>862,944,817</u>
Market Risk	<u>77,499,359</u>	<u>88,080,262</u>
Operational Risk	<u>210,140,934</u>	<u>210,140,934</u>
Total	<u>1,190,437,766</u>	<u>1,161,166,013</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>16.94%</u>	<u>15.22%</u>
Tier 1 Capital Adequacy Ratio	<u>16.94%</u>	<u>15.22%</u>
Total Capital Adequacy Ratio	<u>22.53%</u>	<u>20.10%</u>
Leverage Ratio		
Tier-1 Capital	<u>201,606,042</u>	<u>176,735,007</u>
Total Exposures	<u>5,543,755,751</u>	<u>4,249,194,554</u>
Leverage Ratio	<u>3.64%</u>	<u>4.16%</u>
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	<u>1,448,735,799</u>	<u>1,200,257,790</u>
Total Net Cash Outflow	<u>852,416,215</u>	<u>666,722,922</u>
Liquidity Coverage Ratio	<u>170%</u>	<u>180%</u>
Net Stable Funding Ratio		
Total Available Stable Funding	<u>2,435,931,245</u>	<u>2,309,310,465</u>
Total Required Stable Funding	<u>903,355,909</u>	<u>901,126,786</u>
Net Stable Funding Ratio	<u>270%</u>	<u>256%</u>

39. ISLAMIC BANKING BUSINESS

The bank is operating 189 (December 31, 2020: 191) Islamic banking branches and no Islamic banking windows at the nine months period ended September 30, 2021.

		(Un-audited) September 30, 2021	(Audited) December 31, 2020
Note		(Rupees in '000)	
ASSETS			
	Cash and balances with treasury banks	7,330,799	5,713,009
	Balances with other banks	12,199	11,948
39.1	Investments	46,255,454	42,109,641
39.2	Islamic financing and related assets - net	37,770,691	37,546,704
	Fixed assets	111,663	148,884
	Right of use assets	660,120	755,116
	Other assets	2,645,859	2,676,118
	Total Assets	94,786,785	88,961,420
LIABILITIES			
	Bills payable	589,251	339,103
39.3	Deposits and other accounts	78,428,921	75,268,262
	Due to Head Office	7,599,736	4,124,758
	Lease liability against right of use assets	835,643	903,196
	Other liabilities	1,072,172	2,198,144
		88,525,723	82,833,463
		6,261,062	6,127,957
NET ASSETS			
REPRESENTED BY			
	Islamic Banking Fund	4,646,000	3,360,000
	Surplus on revaluation of assets	667,875	659,569
39.4	Unappropriated / unremitted profit	947,187	2,108,388
		6,261,062	6,127,957

The profit and loss account of the Bank's Islamic banking branches for the nine months period ended September 30, 2021 is as follows:

		(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
		(Rupees in '000)	
39.5	Profit / return earned	5,095,381	6,180,566
39.6	Profit / return expensed	2,197,726	2,748,247
	Net Profit / return	2,897,655	3,432,319
Other income			
	Fee and commission income	160,965	265,220
	Foreign exchange income	42,976	49,943
	Other income	756	796
	Total other income	204,697	315,959
	Total Income	3,102,352	3,748,278
Other expenses			
	Operating expenses	2,029,591	1,724,149
	Other charges	1,358	2,053
		2,030,949	1,726,202
	Profit before provisions	1,071,403	2,022,076
	Provisions charge / (reversal) and write offs - net	124,216	399,583
	Profit before taxation	947,187	1,622,493
	Taxation	-	-
	Profit after taxation	947,187	1,622,493

39.1 Investments by segments:

Federal Government Securities:

	8,001,043		48,771	8,049,814	6,000,000	-	15,600	6,015,600
-Ijarah Sukuks	12,469,562	-	-	12,469,562	11,641,133	-	-	11,641,133
-Others (Bal Muajjal with GOP @ 13.30%)	20,470,605	-	48,771	20,519,376	17,641,133	-	15,600	17,656,733

Non Government Debt Securities

-Listed	8,300,000	-	295,676	8,595,676	8,400,000	-	311,740	8,711,740
-Unlisted	16,947,781	(130,807)	323,428	17,140,402	15,539,747	(130,807)	332,228	15,741,168
	25,247,781	(130,807)	619,104	25,736,078	23,939,747	(130,807)	643,968	24,452,908
Total Investments	45,718,386	(130,807)	667,875	46,255,454	41,580,880	(130,807)	659,568	42,109,641

39.2 Islamic financing and related assets - net

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
Ijarah	118,807	168,788
Murabaha	1,963,901	3,464,401
Diminishing Musharaka	20,599,770	17,614,309
Istisna	-	50,000
Other Islamic Modes (Wakala tul Istismar, Tijarat)	8,898,000	8,500,000
Advances against Islamic assets (Murabaha, DM, Istisna)	3,788,501	8,076,678
Inventory related to Islamic financing (Istisna)	3,129,000	275,600
Gross Islamic financing and related assets	38,497,979	38,149,776

Less: provision against Islamic financings

- Specific
- General

(727,208)	(602,913)
(80)	(159)
(727,288)	(603,072)
37,770,691	37,546,704

Islamic financing and related assets - net of provision

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
39.3 Deposits		
Customers		
Current deposits	19,038,591	26,474,979
Savings deposits	42,289,748	33,051,442
Term deposits	8,296,441	10,129,005
	<u>69,624,780</u>	<u>69,655,426</u>
Financial Institutions		
Current deposits	427,143	778,039
Savings deposits	8,165,270	3,633,797
Term deposits	211,728	1,201,000
	<u>8,804,141</u>	<u>5,612,836</u>
	<u>78,428,921</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	947,187	2,108,388
Less: Transferred / remitted to head office	(2,108,388)	(2,039,140)
Closing balance	<u>947,187</u>	<u>2,108,388</u>

	(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
	----- (Rupees in '000) -----	
39.5 Profit / return earned		

Profit earned on:		
Financing	2,185,339	3,136,237
Investments	1,979,045	2,075,074
Placements	295	23,470
Others (Bai Muajjal)	930,702	945,785
	<u>5,095,381</u>	<u>6,180,566</u>

39.6 Profit / return expensed

Deposits and other accounts	1,812,678	2,339,136
Finance charge on right of use assets	61,945	69,081
Others (General Account)	323,103	340,030
	<u>2,197,726</u>	<u>2,748,247</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 27 OCT 2021 by the Board of Directors of the Bank.


Chairman


President / CEO


Chief Financial Officer


Director


Director

HEAD OFFICE:

NBP Building, I.I. Chundrigar Road, Karachi, 74000, Pakistan.
Phone: (021) 99220100 (30 lines) (021) 99062000 (60 lines)
DID: 021 9906-(Ext.)
Call Center: 111-NBP-NBP (+92 21 111 627 627)
Toll Free: 0800-11627 | Website: www.nbp.com.pk