



NATIONAL BANK اور PAKISTAN

پاکستان

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عقلمانی
نظر آتی ہے

مصلحتی
سکالیزو میں

فقط
نوٹس

زندگانی
عمر

وہ جس کو
نظر آتی ہے

بھی
نظر آتی ہے

زندگانی

عمر

وہ جس کو
نظر آتی ہے

بھی
نظر آتی ہے

نظر آتی ہے

VISION

To be the Nation's leading bank
enabling sustainable growth
and inclusive development



MISSION

We will achieve our vision by
subscribing to the qualities
captured by the word **IMAGINE**

زندگ



I

Integrity

is the cornerstone of everything we do



M

Market leadership

is what we aim across all our target sectors



A

Agility

and strategic nimbleness will help us adapt to changing market conditions



G

Good Governance

and transparency



I

Innovation

to provide for the customer needs of tomorrow



N

Nation-Building

remains our priority



E

Employee

engagement through a merit-based culture





شاهبازی
بازار جھپٹنا
دیکھو اقلان
باری شاہبازی
جھپٹنا

CORPORATE INFORMATION



Name of the Company

National Bank of Pakistan



Accounting Year End

December 31



Legal Form

A listed Public Limited Company established in Pakistan on November 9, 1949 under the National Bank of Pakistan Ordinance, 1949



Auditors of 2023

A.F. Ferguson & Co. Chartered Accountants
BDO Ebrahim & Co. Chartered Accountants



Board of Directors

Mr. Ashraf Mahmood Wathra, Chairman
Mr. Rehmat Ali Hasnie, President/CEO
Mr. Ali Syed, Director
Mr. Nasim Ahmad, Director
Mr. Farid Malik, Director
Mr. Ahsan Ali Chughtai, Director
Mr. Amjad Mahmood, Director



Registrar and Share Registration Office:

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



Board Committees

Board Audit Committee
Board Risk & Compliance Committee
Board HR & Remuneration Committee
Board Technology & Digitalization
Committee
Board Inclusive Development Committee
NY Governance Council
(Sub-Committee of BRCC)



Registered and Head office:

NBP Building I.I. Chundrigar Road,
Karachi, Pakistan



Company Secretary

Mr. Syed Muhammad Ali Zamin



Phone: 92-21-99220100 (30 lines),
Phone: 92-21-99062000 (60 lines),
Phone: Banking: 111-627-627



UAN: 111-111- 500



Legal Advisor

Khalid Anwar & Co. Advocates &
Legal Advisors

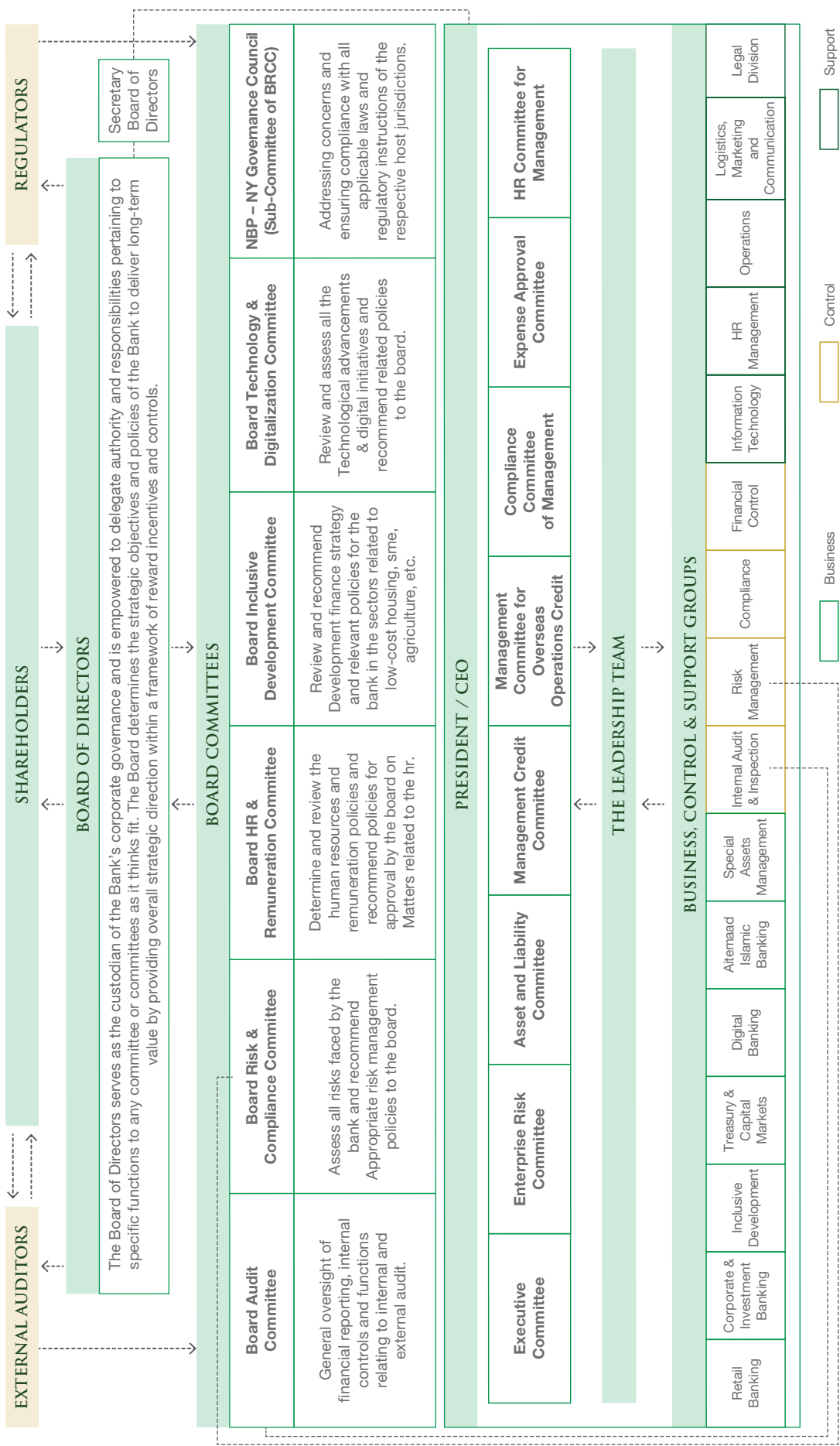


Website:

www.nbp.com.pk
STOCK EXCHANGE LISTING
Pakistan Stock Exchange
Symbol - "NBP"

ORGANOGRAM / GOVERNANCE

NBP governance structures are designed to ensure an appropriate balance of authority and decision-making, driving accountability, transparency, and integrity across the organisation. The Bank's governance structure is set out below:



HIGHLIGHTS 2023

Profitability

Total Income
PKR 209.3 Bn

36.4% ↑

Pre-Prov. Profit
PKR 115.7 Bn

53.6% ↑

Profit Before Tax
PKR 101.2 Bn

61.4% ↑

Profit After Tax
PKR 51.8 Bn

70.5% ↑

Financial Position

Total Assets
PKR 6.6 Tn

26.9% ↑

Investments
PKR 4.4 Tn

26.6% ↑

Advances
PKR 1.6 Tn

13.4% ↑

Deposits
PKR 3.7 Tn

37.8% ↑

Financial Soundness

Total
Capital

25.47%

CET-1

19.16%

Net Stable
Funding

259%

Liquidity
Coverage

176%

Leverage

3.12%

NPL
Coverage

92.19%



Credit Rating

PACRA — A1+ Short-Term
AAA Long-Term

VIS — A-1+ Short-Term
AAA Long-Term

OUR NATIONAL IMPACT

Corporate Loans



PKR 750 Bn
18% ↑

Unparalleled Nationwide Coverage

9MN+
Customers

1,508
Domestic Branches

1,400+
ATMs with 98% Up-time

750+
The Largest Rural Branch Network

Economic Value Generated



PKR 1,071 Bn
97% ↑

to Depositors, Suppliers, the Governments, Colleagues, Shareholders and the Community

Agriculture Loan



PKR 90 Bn
23.1 ↑

CSR Initiatives



PKR **88** Mn

Taxes to the Government



PKR 49.4 Bn
53% ↑

Islamic Banking Assets



PKR 140.2 Bn
28.2% ↑

CHAIRMAN'S REVIEW

Dear Shareholders,

I am delighted to present my 2nd Annual Review Report as the Chairman of the Board. This year marks the completion of the Bank's 75 years since its establishment as the Nation's Bank in 1949. Over the decades, the Bank has grown to become Pakistan's largest bank, establishing a rich legacy of serving the nation.

Operating Environment

In my last year's report, I highlighted the inevitable macroeconomic challenges ahead. In the intervening year, the global economy has experienced volatility, influenced by geo-political tensions, restrictive monetary policies, inflationary pressures, and protective trade policies of certain countries. The free flow of goods, including energy sources, around the world can no longer be taken for granted.

The overall projections anticipate a deceleration in average growth for the year 2024 with a modest upturn expected in 2025. In Pakistan, the economic landscape mirrors global challenges, featuring high inflation, sluggish growth and diminished forex reserves. The GDP which recorded 5.8% and 6.1% growth in FY2021 and FY2022 sharply contracted to 0.3% in FY2023 primarily due to floods, political uncertainties and challenging external conditions. Although domestic demand remained subdued in 1H2024, recent months have seen a gradual alleviation of financial pressures, moderating inflation, stabilizing exchange rates and a more accommodating stance on imports, providing momentum to the economy with recovery in agriculture, LSM and the services sectors. GDP is now estimated to grow by 2.1% for FY2024Q1.

Building a Resilient NBP

A relentless and consistent implementation of the Bank's strategy continues to yield positive outcomes. The Board and the executive teams are making steady progress in building a stronger and stable Bank focusing on a robust compliance and risk culture. This has enabled the bank to grow securely and provide valuable support to customers amidst a challenging economic landscape.

The Board is well aware of the prevailing political chaos, economic difficulties and resultant stressful impact on the financial sector. Acknowledging the significant interdependency in our operating environment, stakeholders well-being and sustainability of the Bank, the Board has proactively endeavoured to address critical challenges through well-thought-out strategies. An astute and proactive approach to risk management is crucial in an unstable operating environment. The Board ensures the resilience of the Bank through optimum readiness to combat emerging risks by providing an efficient governance and responsive risk management framework.

NBP Board has opted to retain the entire profits for FY2023 to provide an adequate buffer against adverse outcome of the "Pensions" case. We believe this is a prudent measure to overcome any potential stress on our capital adequacy and to retain capacity for continuing future growth and create value for our shareholders in the longer term.

The Board has remained mindful of addressing the legacy issues that stubbornly persist and remain a crucial challenge for the Bank. Nevertheless, we have achieved significant progress in the key areas of Compliance, Risk Management, Loan Book quality and the all important Human Capital.

Strong Financial Delivery

I am pleased to report that we closed FY2023 achieving an extraordinary growth for NBP, record operating results and a deeper entrenchment in the market and the Country's banking arena. We ended the year with strong financial and operational performance, navigating our way through stormy turbulence with prudent and forward looking strategies which included in strengthening the Bank's balance sheet through a significant provisioning this year of PKR 14.5 Bn.

The Bank has reported record pre-tax profits of PKR 101.2 Bn and after tax profits PKR 51.8 Bn for FY2023; growth of 61.4% and 70.5% respectively over last year; gross interest income at PKR 1,024.7 Bn increase of 103.6% and a marked growth of 78.8% in CASA deposits; Total deposits at PKR 3,674 Bn are up by

37.8% over the last year. More so, a healthy increase was achieved in earning assets and in the Loan Book.

I must acknowledge and appreciate that our performance in FY2023 is the outcome of dedicated and tireless efforts of our entire management team. Stakeholders will also appreciate significant improvements in key financial indicators such as increase in net assets and value of each NBP share. At year end 2023, NBP value per share is PKR 179.91, Tier 1 Capital Ratio stood at 19.16% and Total Capital Adequacy Ratio at 25.47%. This reflects strong buffers in terms of capital adequacy vis a vis statutory minimum ratios of 10% Tier 1 and 14% capital adequacy. Bank's liquidity and net stable funding ratios are robust at 176% and 259% respectively against requirement of 100%.

Strengthening Compliance Culture

The Board has remained focused on promoting best corporate governance practices adopting sound and vigorous policy framework that instil a culture of compliance, accountability and reward throughout the Bank. This attempts to address historical legacy issues that continuously require unwavering focus on enhancing technology footprint and internal controls as well as upgrading skill set of our human capital. New talent has been inducted at both senior and middle management positions and wholesome plans were approved for technological upgrades.

Moving forward we are restructuring, closing and consolidating our overseas operations which have remained inefficient largely due to inadequate bilateral trade volumes, huge compliance risk and lack of business opportunities from our target market customers. The Board maintains a vigilant oversight on compliance and risk matters in the Bank's domestic and overseas operations.

Public Sector Entities

Over the years the Bank has extended large financing facilities to certain public-sector entities. However, several of these entities have not performed satisfactorily in their debt servicing obligations thereby inflicting a significant drag on the Bank's

income and resources. Recoveries achieved in public sector debt has also remained far below expectations however, the Bank is vigorously in pursuit to at least recover the mark up in a short span of time.

Looking Ahead

As we navigate our way around these challenging times we remain confident in the Bank's resilience to overcome the threats in anticipation of an ongoing macroeconomic stress being experienced.

We are optimistic that the newly elected government will maintain continuity and consistency in measures necessary for the country's economic rejuvenation. As the Nation's Bank, NBP remains committed to supporting all stakeholders towards achieving economic stability, development and financial inclusivity.

Our digital banking team is well positioned to compete in the market place with digital offering to Bank's extensive customer base. The Bank is committing sufficient resources in supporting this innovative business which has immense growth potential in the domestic market.

The Board, the CEO and the Management have steered well through the turbulent times in recent past, however we are conscious that much work lies ahead. The volatile operating environment is likely to have adverse consequences for households and corporate customers alike, we will work hard to support our customers and clients through these difficult times. Going forward our focus includes strengthening the Agriculture, SME and Exports sectors, enhancing capacity of local farmers and manufacturers and thereby contributing in meeting key macroeconomic targets.

Furthermore, the Board places priority on integrating social and environmental consciousness into the Bank's overall business strategy. Strengthening the Risk Management framework, advancement in our Technology Platform and proactively addressing governance anomalies in HR will prominently feature among our key priorities for the Bank.

We seek continued support from the Government of Pakistan and advocate for early appointments

to complete the NBP Board which will further strengthen the Bank's governance and oversight.

Appreciation

I would like to thank my Board colleagues for their immense contribution during the year. Their continuing support and wisdom and tireless efforts are valuable for the Bank and all its stakeholders.

I am also grateful to the Government of Pakistan, State Bank of Pakistan and other Regulators including the Regulators in the global markets for their continuing guidance and support. We assure you of our continued commitment to achieve higher standards of strong governance and operational discipline in our Bank to measure up to their expectations.

I thank all our 9+ million customers and business partners for their continued loyalty and support.

I appreciate the efforts and contribution of all our staff toward the enduring success of the Bank. The Bank shall be fair equitable and transparent in its dealings with the staff and this shall continue to be based on the principle of loyalty and meritocracy.

Ashraf Mahmood Wathra

Chairman

February 22, 2024

Karachi.

STATEMENT OF COMPLIANCE

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Bank:

National Bank of Pakistan

Name of the line Ministry:

Ministry of Finance

For the year ended:

December 31, 2023

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) (both herein referred to as 'Codes') issued for the purpose of establishing a framework of good governance, whereby a public sector bank is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the Regulations, the provisions of the Rules shall prevail and in case of any conflict between the Codes and the Banks (Nationalization) Act, 1974, the provisions of the Banks (Nationalization) Act, 1974 have been followed.
- II. The Bank has complied with the provisions of the Rules in the following manner:

S.No.	Provision of the Rules			Rule No.	Y	N
					Tick the relevant box	
1.	The independent directors meet the criteria of independence, as defined under the Rules.			2(d)	√	
2.	The Board has the requisite percentage of independent directors. As at December 31, 2023, the Board includes :			3(2)	√	
	Category	Names	Date of Appointment			
	Independent Directors	- Mr. Ashraf Mahmood Wathra - Mr. Ahsan Ali Chughtai - Mr. Ali Syed - Mr. Nasim Ahmad	18-1-2023 21-6-2021 18-1-2023 18-1-2023			
	Executive Directors	- Mr. Rehmat Ali Hasnie CEO/President	07-08-2023			
	Non-Executive Directors	- Mr. Farid Malik - Mr. Amjad Mahmood	27-8-2023 18-1-2023			
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.			3(4)	√	
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.			3(5)	√	
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Ordinance.			3(7)	√	
6.	The Chairman of the Board is working separately from the Chief Executive of the Bank.			4(1)	√	
7.	The Chairman has been elected from amongst the independent Directors, except where the Chairman of the Board has been appointed by the Government.			4(4)	√	
8.	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the Chief Executive has been nominated by the Government)			5(2)	N/A	
9.	a)	The Bank has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.		5(4)	√	
	b)	The Board has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures, including posting the same on the Bank's website www.nbp.com.pk.			√	
	c)	The Board has set in place adequate system and controls for the identification and redressal of grievances arising from unethical practices.			√	

10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	√	
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstance considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	√	
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Bank.	5(5) (b)(vi)	√	
13.	a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c)(ii)	√	
	b) A committee has been formed to investigate deviations from the Bank's Code of Conduct.		√	
14.	The Board has ensured compliance with the law as well as the Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services in accordance with PPRA Rules.	5(5) (c)(iii)	√	
15.	The Board has developed a vision or mission statement, corporate strategy of the Bank.	5(6)	√	
16.	The Board has developed significant policies of the Bank. A complete record of the particulars of the significant policies together with the date on which they were approved or amended has been maintained.	5(7)	√	
17.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)		
18.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√	
19.	a) The Board has met at least four times during the year.	6(1)	√	
	b) Written notices of the Board meetings, along with agenda duly approved by the Chairman, were circulated at least seven days before the meetings.	6(2)	√	
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	√	
20.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	√	
21.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	√	
22.	a) The Board has approved the profit and loss account for and balance sheet as at the end of first, second and third quarter of the year as well as the financial year end.	10	√	
	b) The Board has ensured that half yearly accounts are prepared reviewed by the external auditors.		√	
	c) The Board has placed the annual financial statements on the Bank's website.		√	
23.	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.	11	√	
24.	a) The Board has formed the requisite committees, as specified in the Rules.	12	√	
	b) The committees were provided with written term of reference defining their duties, authority and composition.		√	
	c) The minutes of the meetings of the committees were circulated to all the Board members.		√	
	d) The committees were chaired by the following non-executive directors:		√	
	Committees	No. of Members	Name of Chairman	
	Board Audit Committee	05	Mr. Ahsan Ali Chughtai	
	Board HR & Remuneration Committee	03	Mr. Ashraf Mahmood Wathra	
	Board Risk & Compliance Committee	04	Mr. Ahsan Ali Chughtai	
	Board Technology & Digitalization Committee	04	Mr. Farid Malik	
	Board Inclusive Development Committee	04	Mr. Ashraf Mahmood Wathra	
	NBP-NY Governance Council (Sub-Committee of BRCC)	03	The President	
25.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13	√	

26.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	√	
27.	The Bank has adopted International Financial Reporting Standards notified by the Commission in terms of sub- section (1) of section 225 of the Act.	16		
28.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	√	
29.	The directors, CEO and executives, or their relatives, are not, directly, or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Bank except those disclosed in pattern of shareholding to the Bank.	18	√	
30.	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The Annual Report of the Bank contains criteria and details of remuneration of each director.	19	√ √	
31.	The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial officer, before approval of the Board.	20	√	
32.	The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members as at December 31, 2023:	21 (1) and 21(2)	√	
	Name of Banker	Category	Professional Background	
	Mr. Ahsan Ali Chughtai	Independent Director	Senior Banker	
	Mr. Farid Malik	Non-Executive Director	Business Executive	
	Mr. Amjad Mahmood	Non – Executive Director	Additional Finance Secretary	
	Mr. Ali Syed	Independent Director	Business Executive	
	Mr. Nasim Ahmad	Independent Director	Senior Banker	
33.	a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed. b) The Audit Committee met the external auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives. c) The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the external auditors.	21(3)	√ √	
34.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee. b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules. c) The internal audit reports have been provided to the external auditors for their review.	22	√ √ √	
35.	The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	√	
36.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	√	

III. Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 (The Regulations)

1. The total number of directors are as follows:
 - a. Male: 07
 - b. Female: Nil
2. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ Shareholders as empowered by the relevant provisions of the Companies Act, 2017 as well as these Regulations.
3. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
4. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of the meeting of the Board.
5. The Board has formed committees comprising of members given below:

a) Board Audit Committee (BAC):

S. No	Names of Director	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Farid Malik	Member
3	Mr. Amjad Mahmood	Member
4	Mr. Ali Syed	Member
5	Mr. Nasim Ahmad	Member

b) Board HR & Remuneration Committee (BHRR):

S. No	Names of Director	Status
1	Mr. Ashraf Mahmood Wathra	Chairman
2	Mr. Farid Malik	Member
3	Mr. Ali Syed	Member

c) Board Risk & Compliance Committee (BRCC):

S. No	Names of Director	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Ali Syed	Member
3	Mr. Nasim Ahmad	Member
4	The President	Member

d) Board Technology & Digitalization Committee (BTDC):

S. No	Names of Director	Status
1	Mr. Farid Malik	Chairman
2	Mr. Amjad Mahmood	Member
3	Mr. Ali Syed	Member
4	The President	Member

e) Board Inclusive Development Committee (BIDC):

S. No	Names of Director	Status
1	Mr. Ashraf Mahmood Wathra	Chairman
2	Mr. Amjad Mahmood	Member
3	Mr. Nasim Ahmad	Member
4	The President	Member

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

S. No	Names of Director	Status
1	The President	Chairman
2	Mr. Ahsan Ali Chughtai	Member
3	Mr. Nasim Ahmad	Member

5. The frequency of Meetings (Quarterly/half yearly/yearly) of the Committees were as per following:

S. No	Name of Committees	No. of Meetings held during the year
a	Board Audit Committee (BAC)	11
b	Board HR & Remuneration Committee (BHRRC)	10
c	Board Risk & Compliance Committee (BRCC)	11
d	Board Technology & Digitalization Committee (BTDC)	05
e	Board Inclusive Development Committee (BIDC)	02
f	NBP-NY Governance Council (Sub-Committee of BRCC)	09

6. The Board has set up an effective internal audit function for both local and overseas operations. With regards to NBP-USA, Internal audit function of the Bank is outsourced to an independent professional firm. In addition, audit function in Germany is also outsourced. Both these audit firms are considered suitably qualified, experienced and conversant with the policies and procedures of the Bank and all applicable laws and regulations.
7. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.
8. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants

of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or directors of the Bank;

9. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
10. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the following non-compliance:
 - i) As per regulation 7, it is mandatory that the Board shall have at least one female director when it is reconstituted after the expiry of its current term. No female director was appointed on the Board after retirement of Ms. Sadaffe Abid, whose tenure ended on April 16, 2022.

EXPLANATION FOR NON-COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Bank to seek compliance by the end of next Financial Year:

S. No	Rule/Sub Rule No	Reasons for Non-Compliance	Future course of action
1	8(1)	The performance evaluation of the members of the Board including the Chairman and the Chief Executive is required to be undertaken annually by the Government for which, the Government is required to enter into performance contract with each member of the Board at the time of his appointment. Hence the compliance to this provision is primarily attributable to the Government.	The Bank is conducting Board Evaluation in line with Regulation G-13 of Corporate Governance Regulatory Framework (CGRF) of SBP. However, a letter has been sent to the Federal Government, communicating the said non-compliance and seeking action thereupon on part of the Federal Government.

REHMAT ALI HASNIE
CEO / President

ASHRAF MAHMOOD WATHRA
Chairman

Date: February 22, 2024
Place: Karachi

REVIEW REPORT TO THE MEMBERS

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

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block-C
Lakson Square Building
No.1, Sarwar Shaheed
Road, Karachi – 74200

INDEPENDENT AUDITORS' REVIEW REPORT

Review report to the Members on the Statements of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) (both herein referred to as 'Codes') and Bank (Nationalization) Act, 1974 prepared by the Board of Directors of National Bank of Pakistan (the Bank) for the year ended December 31, 2023 to comply with the requirements of regulation 36 of the Regulations and the provisions of the Rules.

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

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

The Codes require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arms' length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Bank for the year ended December 31, 2023.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S. No	Reference	Description
i	Regulation 7	It is mandatory that the Board shall have at least one female director. However, there was no female director holding the office of Directors during the current year.
ii	Rule 8(1)	The performance evaluation of members of the Board including the Chairman and the Chief Executive shall be undertaken annually by the Government. However, no performance evaluation was undertaken of the above stated personnel.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 4, 2024
UDIN: CR202310068PnOHTeDr0

BDO Ebrahim & Co.
Chartered Accountants
Karachi
Dated: March 4, 2024
UDIN: CR202310067bteiZ5Cjp

STATEMENT OF INTERNAL CONTROL 2023

Reporting of Internal Control System

The Bank's management has established and is managing a system of internal controls, approved by the Board of Directors, to achieve effective and efficient operations, while complying with applicable laws and regulations and preserving the reliability of financial reporting. This internal control system comprises of various interrelated components to gauge the overall control environment. These components include the availability of well-documented policies and procedures and their compliance, risk assessment, identification of risks and mitigating controls, technology breaches, information leakages, governance and management reporting.

The management and the employees at all levels within the Bank are required to perform their duties as per defined guidelines. The internal control system also requires effective and efficient external and internal reporting, maintenance of proper records and processes, operational loss database, compliance with applicable laws and regulations, and internal policies with respect to the conduct of business. The Bank remains cognizant of its responsibility to continuously improve and strengthen its system of internal control on an ongoing basis.

The Bank has completed the implementation of roadmap regarding Internal Control Over Financial Reporting ("ICFR") and the Long Form report on the assessment of the Bank's ICFR for the year 2022 was issued by the statutory auditor in compliance with the SBP directive.

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

Evaluation of Internal Controls

Besides the monitoring of the implementation of internal control system at the management level, the Bank has an independent Internal Audit function namely the Audit & Inspection Group with three Area Audit & Inspection Offices that conduct audits of Branches, Regions, and Groups at the Head Office on an on-going basis to evaluate the efficiency and effectiveness of internal control system. In addition, an Internal Control function is established under Operations Group for testing & monitoring key controls across operations. Adequate compliance systems and processes are available to evaluate and assess the adequacy of customers' onboarding, sanctions screening and transactions monitoring.

For the year 2023, the management continues its efforts to strengthen the internal control system of the Bank. The observations made by the external/ internal auditors and regulators in their respective audits/ inspections are reviewed and measures are being taken by the management (by respective groups and tracking at management level forums), Board Sub-Committees, and Board of Directors for rectification of such observations and their non-recurrence.

Based on the results achieved from review of controls by management during the year along with, Compliance Group, Internal Control Group within Operations, Internal Control over Financial Reporting by Financial Control Group and Internal Audit performed by Audit & Inspection Group, the management considers that the Bank's existing internal control system needs further improvement. This is an ongoing process and management would continuously be evaluating the efficacy of its in-built controls to enhance and further strengthen the overall internal control system of the Bank.

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

Haroon Zamir Khan
Chief Risk Officer

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Abdul Moeed
Chief Compliance Officer (A)

Imran Farooqui
Group Chief Operations

Umer Anwar
Chief Internal Auditor

SHARIAH BOARD'S ANNUAL REPORT NBP AITEMAAD - 2023

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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

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

In our role as the Shariah Board, we have assessed the overall Shariah compliance level and environment within the NBP Aitemaad Islamic Banking as of December 31, 2023.

Shariah Board Opinion

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

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

1. Compliance with Directives issued by Shariah Board

NBP Aitemaad's overall environment, products, and agreements comply with the Shariah directives issued by Shariah Board.

2. Compliance with Shariah related regulatory directives issued by State Bank of Pakistan (SBP)

The management ensures zero tolerance for instances of Shariah non-compliance in accordance with SBP directives. To underscore this commitment, NBP Aitemaad has incorporated a dedicated Shariah Non-Compliance key performance indicator within the staff appraisal system.

3. Shariah Compliance Mechanism

Alhamdulillah, NBP-Aitemaad Islamic Banking already had a comprehensive Shariah Compliance Policy and extensive checklist for Shariah compliance review of the transactions in line with Shariah principles.

This year, the SCD has revisited the mechanism and refined the policy and manual based on the past experiences and feedback of SCD's field functionaries.

4. Mechanism ensuring prohibited Income to Charity Account

NBP-Aitemaad Islamic Banking has a well-defined charity policy and charity manual approved by NBP Shariah Board and BoD. Shariah Compliance review and Internal Shariah Audit specifically covered financing transactions, while also extending to other revenue generating sources, such as investments and treasury transactions.

During the Shariah Review of financing portfolio, no transaction was classified for charity.

While, during the year, rupees nine million, sixty-six thousand, six hundred fifty (9,066,650) was collected on account of late payments and deposited in the Charity Account.

Charity Fund – 2023	Rupees in ‘000
Opening Balance	202.51
Received from customers on account of delayed payment (2023)	9,066.65
Profit Paid During the year on Charity Accounts	99.36
Payments/utilization during the period	3000
Closing Balance	6,368.52

5. Profit and Loss Distribution and Pool Management

NBP Aitemaad Islamic Banking Pool Management Wing is staffed with adequate human resource ensuring compliance with the SBP and Shariah Board guidelines. The SCD undertakes a monthly review of profit and loss calculation prior to distribution among depositors, complimented by an annual Shariah compliance review of pool management. Further, Internal Shariah audit wing conducts a Shariah Audit of pool management on quarterly basis. These multiple layers of control have significantly reinforced the process of profit & loss distribution and overall pool management.

6. Staff and Customer understanding of Islamic Banking and Finance

The Bank has arranged Ninety-one (91) in house training sessions on different topics of Islamic Banking’s basic concepts, products and services, and customer services where One Thousand Two Hundred and Thirty-Three (1,233) staff (including IBB staff and conventional staff designated to IBW) were trained during the year.

For addressing public queries related to Shariah and Islamic Banking, the Bank is managing an “ask Shariah” portal i.e. askshariah@nbp.com.pk. The Portal serves as a platform for staffs’ on job training and guidance on their day-to-day operations and awareness of customer in the field of Islamic Banking.

7. Promotion and Awareness of Islamic Banking and Finance and other activities

SCD in coordination with AIBG operations and marketing has initiated Islamic Banking awareness sessions for the promotion of Islamic Banking for general public. In this regard, total seven (7) awareness sessions were organized all over country.

Apart from customer awareness sessions, SCD has also started giving guest lectures on Islamic Banking and Finance in different Universities and Madaris.

Other Awareness Activities:

Ramadan Awareness Sessions: SCD organized online Ramadan awareness sessions covering various topics related to Ramadan for both employees and customers. Distinguished speakers from the esteemed Shariah Board members who contributed to these sessions. This initiative received a promising number of views across various social media platforms, reflecting its positive impact and engagement.

In addition, the Shariah Compliance Department (SCD), in collaboration with the Aitemaad Islamic Banking Group (AIBG), organized thought-provoking webinars for all NBP staff. These sessions centered on ethical banking practices, drawing insights from the Quran and Hadith, with the objective of enhancing ethical banking practices within the bank.

8. Provision of adequate resources to Shariah Compliance Department (SCD)

SCD, in order to operate with reasonable head counts, has initiated requisition request for staff hiring. As part of this, one Shariah Scholar has joined SCD during the year. Additionally, the hiring process for two more SCD staff is currently underway. SCD shall anticipate the requirement of staff in the department for future windows operations and conversion and shall inform the management with the same.

9. Other Developments

i. Shariah Compliance Review (SCR) of Islamic Banking Branches and Departments

The Shariah Compliance Department has conducted review of 28 deposit branches, 46 Islamic Banking Windows (IBW),

treasury transactions, pool management and financing portfolio, on sample basis, during the calendar year. SCD has also reviewed the different marketing campaigns to ensure strict adherence with Shariah Board guidelines.

ii. Branch Network & Expansion

Alhamdulillah! The branch network of NBP Aitemaad stands at 188 dedicated Islamic banking branches and 150 Islamic Banking Windows (IBW). NBP has initiated the process to convert 50 conventional branches into Islamic and to open new 100 IBWs for the year 2024.

iii. Product Development

Alhamdulillah! NBP Aitemaad has diversified range of products as it is offering Seventeen (17) Deposit products, Nine (09) Financing products including Running Musharakah which was launched during the year with PKR 30 Billion disbursement. The Bank remains committed to provide 24/7 banking services for various market segments.

iv. Asset Review

The overall earning assets of NBP Aitemaad have increased by 25% amounting PKR 126.3 Billion in comparison with PKR 101.1 Billion of previous year. Total Financing has reached at PKR 74.6 Billion with an increase of 58.8% maintaining NBP Aitemaad's Finance to Deposit Ratio rounding to 65%. Total Investments including Bai Muajjal stood at PKR 51.7 Billion in comparison with PKR 54.1 Billion preceding year with a decrease of 4.3%.

v. Liability Review

Aitemaad total deposits have increased by 21.6% to PKR 113.8 Billion in comparison with PKR 93.6 Billion last year.

vi. Shariah Board Meetings

SB has conducted four (04) meetings during the year. Major SB approvals are summarized as below;

- Shariah Compliance Policy and Manual
- Aitmaad Hamsafar Auto Finance Policy and Manual (version 3.0)
- Marketing Manual
- Deposit Products Manual – Revision
- Prime Minister's Youth Business and Agriculture Finance Scheme (PMYBAF) – Manual
- Profit Subsidy and Risk Sharing Scheme for Farm Mechanization (PSRSSFM) – Manual
- Conversion Plan of NBP branches 2024
- IBWs Expansion Plan 2024
- ISAW Annual Plan 2024 and SCD Annual Plan 2023
- Standard Legal Documents of Financing Products
- Standard Security Documents
- Conventional Products Mapping with Islamic Modes
- Revision of SCR & ISAW Checklist of IBWs
- Alternate for Takaful Waiver
- Corrective Actions on SCD, ISAW & External Shariah Audit Reports
- Comments on Shariah Standards submitted to SBP

Recommendations

We recommend the Bank on the following matters:

1. The Bank has automated the liability side of the Core Banking whereas the asset side will be automated with CBA upgrade. This process needs to be prioritized in the execution.
2. Bank has implemented Shariah Compliant Staff Financing Policy (Housing Module) with limited features, we recommend to implement all remaining modules, along with Staff Auto Finance

والله سبحانه وتعالى اعلم
ربنا لا تؤاخذنا ان نسينا او اخطانا ج ربنا ولا تحمل علينا
اصرا كما حملته على الذين من قبلنا ج ربنا ولا تحملنا ما لا طاقة لنا به
ج واعف عنا ووقفه واغفر لنا وقفه وارحمنا وقفه انت مولنا فانصرنا على القوم الكافرينه

May Almighty ALLAH grant us guidance to steadfastly adhere to Shariah principles in day-to-day operations, to absolve our mistakes and shortcomings, and may His blessings lead to the success of Islamic banking in Pakistan. Ameen.

MUFTI MUHAMMAD AHMED KHAN
Member Shariah Board

MUFTI MUHAMMAD SAJJAD USMANI
Member Shariah Board

MUFTI MUHAMMAD IMRAN
Resident Shariah Board Member

DR. MUFTI KHALIL AHMAD AAZAMI
Member Shariah Board

MUFTI EHSAN WAQUAR AHMAD
Member Shariah Board

NOTICE FOR 75TH ANNUAL GENERAL MEETING

Notice is hereby given that 75th Annual General Meeting (“AGM”) of National Bank of Pakistan (the “Bank”) will be held on **Thursday, March 28, 2024 at 04:00 P.M. (PKT)** at Mövenpick Hotel, Club Road, Karachi and through electronic means.

The following business will be transacted in the Meeting:

Ordinary Business:

1. To confirm the minutes of the Extraordinary General Meeting (EOGM) of Shareholders held on July 25, 2023, physically and through electronic means.
2. To receive, consider and adopt the annual audited unconsolidated and consolidated financial statements of National Bank of Pakistan and its subsidiaries for the year ended December 31, 2023, together with the Directors’ Report, Auditors’ Report and Chairman’s Review Report thereon.
3. To appoint auditors for the year ending December 31, 2024, and fix their remuneration. The Board of Directors has recommended the re-appointment of Messrs. PwC A.F. Ferguson & Co., Chartered Accountants at a fee of PKR 35.825 million including some statutory certification and Messrs. BDO Ebrahim & Co., Chartered Accountants at a fee of PKR 30.440 million including some statutory certification, to be auditors of the Bank for the year ending December 31, 2024

Special Business:

4. To approve the renewal with amendments in the Board’s Remuneration Policy.
5. To approve transmission of Annual Audited Accounts of the Bank to the members via QR enabled code and web link.
6. To authorize Mr. Rehmat Ali Hasnie, President / CEO, NBP, to sign the necessary legal/regulatory documents pertaining to the closure of NBP-Bishkek Branch, Kyrgyz Republic, NBP-Baku Branch, Azerbaijan and Subsidiary bank - Almaty on behalf of the shareholders of National Bank of Pakistan.
7. To transact any other business with permission of the Chairman.

Karachi
Dated: March 07, 2024

By Order of the Board
Sd/-
S.M. Ali Zamin
Secretary (Board)

NOTES:

The Share Transfer Books of the Bank shall remain closed from March 22, 2024 to March 28, 2024 (both days inclusive). Transfers received at Messrs. CDC Share Registrar Services Limited, CDC House 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi – 74400, the Bank's Share Registrar and Transfer Agent, at the close of business on March 21, 2024 will be treated in time to attend the meeting.

PARTICIPATION IN ANNUAL GENERAL MEETING:

The Annual General Meeting is being conducted as per guidelines circulated by SECP. The following arrangements have been made by the Bank to facilitate the maximum participation of shareholders in the AGM through video link facility, either in-person or through appointed proxies:

a) Attending Meeting through Electronic Means

In order to attend the AGM through electronic facility, the members are requested to get themselves registered with CDC Share Registrar Services Limited upto March 27, 2024 till 05:00 P.M. at cdcsr@cdcsrsl.com or WhatsApp No. 0321-8200864 and they are requested to provide the information as per the below format:

S. #	Company Name	Folio Number / CDC Account #	Name of the Shareholder	CNIC #	Cell #	E-mail Address
	NBP					

The details of electronic facility will be sent to the members at the email address provided by them. The login facility will be opened at 3:30 P.M. on March 28, 2024 enabling the participants to join the proceedings after identification and verification process before joining the meeting, which will start at 4:00 P.M. (sharp).

b) Attending Meeting Physically

Arrangements for physical gathering of shareholders have been made at Mövenpick Hotel, Club Road, Karachi.

c) Attending Meeting through Proxies

- i) All members, entitled to attend and vote at the Annual General Meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless of whether they are a member or not, as proxy.
- ii) The proxy instrument must be complete in all respects and in order to be effective should be deposited at Office of the Registrar or Office of the Secretary Board, 2nd floor, NBP Head Office, I.I. Chundrigar Road, Karachi not later than 48 hours before the time of holding the meeting.
- iii) For attending the meeting through electronic means (Zoom), proxy form shall be submitted along with proxy holders' email address and mobile number.
- iv) If any member appoints more than one proxy for any one meeting and more than one instrument of the proxy are deposited with the Registrar/Bank, all such instruments of proxy shall be rendered invalid.

d) Guidelines for Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations shall submit the proxy form as per the requirements mentioned below:
 - a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form.

- b) Attested copy of CNIC or the Passport of the beneficial owner(s) and of the proxy shall be furnished with the proxy form.
- ii) In case of a legal entity, the original or duly authenticated Board of Directors' resolution or power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs. CDC Share Registrar Services Limited or to the Office of Secretary Board, 2nd floor, NBP Head Office, I.I Chundrigar Road, Karachi.

(Proxy Form is available on NBP website www.nbp.com.pk)

- Members are requested to immediately notify any change in their address to the Bank's Registrar/Shares Transfer Agent i.e., Messrs. CDC Share Registrar Services Limited.

PROCEDURE FOR VOTING FOR SPECIAL AGENDA ITEMS

It is hereby notified that according to the Companies (Postal Ballot) Regulations, 2018 and its amendments notified vide SRO 2192(I)/2022 dated December 05, 2022 members will be allowed to exercise their right to vote for the special business in the Annual General Meeting (AGM), in accordance with the conditions mentioned in the aforesaid regulation, the Bank shall provide its members with the following options for voting:

E-Voting Procedure

- a) The Bank's Share Registrar in accordance with the Companies (Postal Ballot) Regulations, 2018 will send complete information to the members, including but not limited to, web address, login detail, password, date of casting e-vote and other necessary details through email; and security code through SMS on their registered email and mobile number available in the members' register.
- b) Identity of the member intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- c) Individual interested to cast his/her vote through e-voting, availability of his/her CNIC, mobile number and email address and in case of a corporate entity NTN in company's record is mandatory.
- d) It is mandatory for all CDS account holders to update their records with their participants and physical shareholders with Bank's Share Registrar i.e., CDCSRSL before book closure date.
- e) Voting lines for Special Agenda items will be opened for the Shareholders from March 25, 2024 at 09:00 a.m. till March 27, 2024 at 5:00 p.m.

Postal Ballot

The Shareholders shall ensure duly-filled and signed ballot paper along with copy of CNIC, in case of individual and in case of body corporate, acceptable identification documents i.e., the Original or duly authenticated Board of Directors' resolution / power of attorney along with valid copies of CNIC of authorized signatories etc. should reach through post to the Chairman, National Bank of Pakistan, Head Office Building, 2nd floor, I. I. Chundrigar Road, Karachi or by email at agm@nbp.com.pk by March 27, 2024 till 5:00 p.m. i.e., before the day of poll.

Vote Casting In-Person or Through Proxy

Polling booth will be established at the place of physical gathering of the AGM for voting.

SPECIAL NOTES TO THE SHAREHOLDERS

1. CONVERSION OF PHYSICAL SHARES INTO BOOK-ENTRY FORM:

The SECP through its letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised listed companies to adhere to the provision of Section-72 of the Companies Act, 2017 (the "Act") requiring all the existing companies to replace shares issued by them in physical form with shares into Book-Entry form in a manner as may be specified and from the date notified by the SECP but not exceeding four (04) years from the date of promulgation of the Act. Considering the aforesaid directive, NBP has also published a request on October 28, 2021 to ensure compliance with the Act and advised to open Investor Account directly with the Central Depository Company of Pakistan Limited ("CDC") or CDC-Sub-Account with any TREC Holder registered with Pakistan Stock Exchange Limited (PSX) to place their physical shares into Book-Entry form. It will not only ensure the compliance of relevant rules and regulations but will also speed up the process of disbursement of entitlement to the respective shareholders.

2. AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON BANK'S WEBSITE:

The Bank has placed the Audited Annual Financial Statements for the year ended December 31, 2023 along with Auditors' Report, Directors' Report and Chairman's Review Report thereon on its website: www.nbp.com.pk

STATEMENT OF MATERIAL FACTS

This Statement sets out material facts concerning the special business given in agenda items No. 4, 5 & 6 of the Notice, to be transacted in the 75th AGM of NBP's shareholders to be held on March 28, 2024.

Agenda Item No. 4:

To approve the renewal with amendments in the Board Remuneration Policy

The Board Remuneration Policy was initially approved by shareholders in the Extraordinary General Meeting on July 27, 2020. Subsequent amendments were approved in the 74th Annual General Meeting of NBP held on March 30, 2023. The Board of Directors has reviewed and updated the Remuneration Policy to align with the State Bank of Pakistan's Corporate Governance Regulatory Framework ("CGRF"). The Policy adjustments aim to enhance alignment with industry standards and best practices. Despite the update, there is no major change in the remuneration structure for the directors.

SUMMARY OF KEY CHANGES IN THE BOARD REMUNERATION POLICY

S. No.	Existing	New	Rationale
1	Clauses 6.1, 7, 8.1 & 9 Reference is of 71 st AGM held on May 12, 2020 and EOGM held on May 15, 2017.	Clauses 6.1, 7, 8.1 & 9 Change with reference to the 74 th AGM held on March 30, 2023.	Updation of relevant clause based on shareholders' approval.
2	Clause 8.2 Silent on insurance coverage.	Clause 8.2 Travel and health insurance coverage during international travel for official purpose and/or attending Board/ Board Committee meetings.	Insurance coverage is required for life & health of Directors during international travel.
3	Clause 11 Reference to SBP's BPRD Circular No. 03/2019. Approval of Shareholders on pre or post-fact basis.	Clause 11 Reference to SBP's BPRD Circular No. 05/2021 (CGRF). Approval of shareholders on pre-fact basis only.	CGRF has superseded the previous circular. Due to SBP's CGRF Clause 2(i) of G-14

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

"RESOLVED THAT the Board Remuneration Policy is hereby renewed/amended as per the summary of key changes in the Board Remuneration Policy presented and that the updated Policy, be and is hereby adopted."

Disclosure: In terms of Section 134(3) of The Companies Act, 2017, all Directors and Chairman, except the President, are interested in this special resolution.

Agenda Item No. 5:

To approve transmission of Annual Audited Accounts of the Bank to the members via QR enabled code and web link

The Securities and Exchange Commission of Pakistan, in its Notification S.R.O. 389 (I)/2023 dated March 21, 2023, recognizing technological advancements and the obsolescence of older technology, has permitted listed companies to circulate the annual audited financial statements to their members using QR enabled code and weblink, instead of the traditional circulation via CD/DVD/USB. This is subject to the approval of shareholders obtained during a general meeting. The Bank will send the Notice of Annual General Meeting to members following the Act and will adhere to other instructions of SECP outlined in the aforementioned notification, including:

- (a) to transmit via email annual audited financial statements to shareholders who have provided to the Bank their email addresses; and
- (b) to provide within one week, free of cost hard copy of annual audited financial statements with relevant documents to shareholder(s), in case the Bank receives request of a shareholder on the standard request form available on the Bank's website.

The shareholders are requested to pass the following resolutions:

"RESOLVED THAT the Bank shall circulate annual audited financial statements to its members through QR enabled code and weblink and shall discontinue circulation of annual financial statements through CD/DVD/USB, be and is hereby approved".

"FURTHER RESOLVED THAT the Bank shall ensure at all times the requirements given in Securities and Exchange Commission Notification S.R.O. 389 (I)/2023 dated March 21, 2023 and all other applicable laws in connection with the transmission of Notice of Annual General Meeting and circulation of Annual Report to the members of the Bank are duly complied with, be and is hereby approved."

Disclosure: In terms of Section 134(3) of The Companies Act, 2017, no Director/Chairman/President is directly or indirectly interested in the special resolutions.

Agenda Item No. 6:

To authorize Mr. Rehmat Ali Hasnie, President / CEO, NBP, to sign the necessary legal/regulatory documents pertaining to the closure of NBP Bishkek Branch, Kyrgyz Republic NBP Baku Branch, Azerbaijan and subsidiary bank - Almaty on behalf of the shareholders of National Bank of Pakistan

NBP shareholders in their 72nd Meeting held on March 29, 2021 had accorded their approval for closure of operations at all Central Asian locations and had also empowered Mr. Arif Usmani, the then President / CEO NBP to sign all necessary legal / regulatory documents on behalf of NBP Shareholders. Mr. Arif Usmani after completing his tenure has left the Bank. In order to comply with the local regulatory requirements, we, request the Shareholders of the National Bank of Pakistan, to delegate the powers to Mr. Rehmat Ali Hasnie, incumbent President / CEO, to sign all documents including the decisions on behalf of shareholders required for closure of the operations at the Kyrgyz Republic, Azerbaijan and

Kazakhstan, as previously delegated to the then President Mr. Arif Usmani. The Board has recommended the following resolution to the Shareholders for approval:

"RESOLVED THAT Mr. Rehmat Ali Hasnie, President / CEO NBP, Head Office, Karachi be and is hereby authorized to sign all the necessary legal/regulatory documents on behalf of Shareholders of National Bank of Pakistan in order to complete the necessary formalities for closure of operations in overseas branches/subsidiaries, be and is hereby approved."

Disclosure: In terms of Section 134(3) of The Companies Act, 2017, no Director/Chairman, except the President, is directly or indirectly interested in the special resolution.

نیشنل بینک آف پاکستان

اطلاع برائے پچھتر واں سالانہ اجلاس عام

بذریعہ ہذا نوٹس اطلاع دی جاتی ہے کہ نیشنل بینک آف پاکستان کا پچھتر واں سالانہ اجلاس عام بروز جمعرات مورخہ 28 مارچ 2024، پاکستان کے معیاری وقت کے مطابق شام 04:00 بجے موہن پیک ہٹل، کلب روڈ، کراچی میں ذاتی موجودگی اور الیکٹرانک ذرائع پر منعقد ہوگا۔
اجلاس میں درج ذیل کارروائی عمل میں لائی جائے گی:

عمومی کارروائی:

- 1۔ مورخہ 25 جولائی 2023 کو ذاتی موجودگی اور الیکٹرانک ذرائع سے منعقد ہونے والے شیئر ہولڈرز کے غیر معمولی اجلاس عام کی کارروائی کی توثیق۔
- 2۔ 31 دسمبر 2023 کو ختم ہونے والے سال کے لئے نیشنل بینک آف پاکستان کے سالانہ آڈٹ شدہ غیر مجموعی اور مجموعی مالی گوشواروں اور اس کے ذیلی اداروں کے مجتمع گوشوارے مع ڈائریکٹرز رپورٹ، آڈیٹرز رپورٹ کے ساتھ چیئر مین جائزہ رپورٹ کی وصولی، ان پر غور اور منظوری۔
- 3۔ 31 دسمبر 2024 کو ختم ہونے والے سال کے لئے آڈیٹرز کی تقرری اور ان کے معاوضے طے کرنا۔ بورڈ آف ڈائریکٹرز نے میسرز پی ڈی بی اے ایف فرگن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 35.825 ملین روپے بشمول کچھ قانونی سرٹیفیکیشن اور میسرز بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 30.440 ملین روپے بشمول کچھ قانونی سرٹیفیکیشن کی فیس پر 31 دسمبر 2024 کو ختم ہونے والے سال کے لیے بینک کے آڈیٹرز کے طور پر دوبارہ تعیناتی کی سفارش کی ہے۔

خصوصی کارروائی:

- 4۔ بورڈ کی معاوضہ پالیسی میں ترامیم کے ساتھ تجدید کی منظوری۔
- 5۔ QR فعال کوڈ اور ویب لنک کے ذریعے ممبران کو بینک کے سالانہ آڈٹ شدہ مالی گوشواروں کی ترسیل کی منظوری دینا۔
- 6۔ نیشنل بینک آف پاکستان کے شیئر ہولڈرز کی جانب سے جناب رحمت علی حسنی، صدر اسی ای او این پی پی کو NBP بٹھیک براچ، جمہوریہ کرغز، NBP باکو براچ، آذربائیجان اور ذیلی بینک الماتی کی بندش کے حوالے سے ضروری قانونی/ریگولیٹری دستاویزات پر دستخط کرنے کا اختیار دینا۔
- 7۔ چیئر مین کی اجازت سے کسی دیگر کاروباری معاملے پر کارروائی۔

بجکم بورڈ
Sd/-
سید محمد علی ضامن
سیکرٹری (بورڈ)

کراچی
مورخہ مارچ 07، 2024

نوٹس:

بینک کی شیئر ٹرانسفر کٹب 22 مارچ 2024 سے 28 مارچ 2024 تک (بشمول دونوں ایام) بند رہیں گی۔ تاہم بینک کے رجسٹرار، میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس 99-بی، بلاک بی سندھی مسلم کوآپریٹو ہاؤسنگ سوسائٹی (ایس ایم سی ایچ ایس)، مین شارع فیصل، کراچی-74400 کو مورخہ 21 مارچ 2024 تک کاروباری اوقات ختم ہونے سے پہلے وصول ہونے والے ٹرانسفرز کو اجلاس میں شرکت کے سلسلے میں بروقت تصور کیا جائے گا۔

سالانہ اجلاس عام میں شرکت

سالانہ اجلاس عام کا انعقاد سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے جاری کردہ رہنما اصولوں کے مطابق کیا جا رہا ہے اور سالانہ اجلاس عام میں شیئر ہولڈرز کی زیادہ سے زیادہ شرکت کیلئے ویڈیولنک کی سہولت، ذاتی موجودگی پر یا مقرر کردہ پراکسیز کے ذریعے شرکت کے انتظامات کئے گئے ہیں:

الف) اجلاس میں بذریعہ الیکٹرانک ذرائع شرکت

سالانہ اجلاس عام میں الیکٹرانک سہولت کے ذریعے شرکت کرنے والے ممبران سے درخواست کی جاتی ہے کہ مورخہ 27 مارچ 2024 بوقت شام 05:00 بجے تک CDC شیئر رجسٹرار سروسز لمیٹڈ کی ای میل cdcsr@cdcsrsl.com یا واٹس ایپ نمبر 0321-8200864 پر خود کو رجسٹرڈ کروائیں اور ان سے التماس ہے کہ وہ مندرجہ ذیل فارمیٹ پر انفارمیشن مہیا کریں:

نمبر شمار	کمپنی کا نام	فولیو نمبر/ CDC اکاؤنٹ نمبر	شیئر ہولڈر کا نام	قومی شناختی کارڈ نمبر	موبائل نمبر	ای میل ایڈریس
	این بی پی					

الیکٹرانک سہولت کی تفصیلات ممبران کی طرف سے فراہم کردہ ای میل ایڈریس پر فراہم کر دی جائیں گی۔ مورخہ 28 مارچ 2024 کو لاگ ان سہولت دوپہر 03:30 بجے کھول دی جائے گی تاکہ شرکاء اجلاس شروع ہونے کے مقررہ وقت شام 04:00 بجے سے پہلے پہچان اور تصدیق کے عمل سے گزر کر اجلاس میں شریک ہو سکیں۔

(ب) اجلاس میں ذاتی طور پر شرکت:

مودین پک ہوٹل، کلب روڈ، کراچی میں شیئر ہولڈرز کے لئے روبرو اجتماع کے انتظامات کئے گئے ہیں۔

(پ) پراکسیز کے ذریعے اجلاس میں شرکت کرنا:

I۔ تمام ممبران جو کہ سالانہ اجلاس عام میں شرکت اور ووٹ ڈالنے کے اہل ہیں کسی بھی دوسرے ممبر کو تحریری طور پر پراکسی مقرر کر سکتے ہیں۔ ایک قانونی ادارہ رکن ہونے کے ناطے کسی بھی فرد کو قطع نظر، خواہ وہ ممبر ہو یا نہیں، پراکسی کے طور پر تقرری کر سکتا ہے۔

II۔ پراکسی انسٹرومنٹ ہر لحاظ سے مکمل ہونا ضروری ہے اور موثر ہونے کے لئے اجلاس کے انعقاد سے 48 گھنٹے قبل شیئر رجسٹرار یا سیکریٹری بورڈ کے دفتر، دوسری منزل، NBP ہیڈ آفس، آئی آئی چندریگر روڈ، کراچی پر جمع کروانا ہوگا۔

III۔ الیکٹرانک سہولت (زوم) کے ذریعے میٹنگ میں شرکت کے لئے پراکسی ہولڈر کا ای میل ایڈریس اور موبائل نمبر پراکسی فارم میں ہونا لازمی ہے۔

IV۔ اگر کوئی ممبر کسی ایک میٹنگ کے لئے ایک سے زیادہ ممبرز کو پراکسی مقرر کرتا ہے یا کسی پراکسی کے ایک سے زیادہ انسٹرومنٹس رجسٹرار/ بینک کے پاس جمع کروائے جاتے ہیں تو پراکسی کے ایسے تمام انسٹرومنٹس کو غلط قرار دیا جائے گا۔

(ت) شیئر ہولڈرز کو پراکسی کی تقرری کے لئے درج ذیل ہدایات پر عمل کرنا ہوگا:

(i) انفرادی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/ یا وہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق اپ لوڈ کی گئی ہیں مندرجہ ذیل تقاضوں کے مطابق پراکسی فارم جمع کروائیں:

(الف) پراکسی فارم دو افراد کے بطور گواہ دستخط کے ساتھ جمع کروایا جائے جن کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم پر درج ہوں۔

(ب) قومی شناختی کارڈ کی تصدیق شدہ کاپی یا بینیفیشل مالکان اور پراکسی کے پاسپورٹ کی کاپی پراکسی فارم کے ساتھ پیش کی جائے گی۔

(ii) قانونی ادارے کی صورت میں نامزد شخص کے دستخط کے نمونے کے ساتھ اصل یا باضابطہ تصدیق شدہ بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ یا سیکریٹری بورڈ کے دفتر، دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چندریگر روڈ، کراچی میں پراکسی فارم کے ساتھ جمع کرانا ہوگا۔ (اگر وہ پہلے فراہم نہ کر دیے گئے ہوں)۔

(پراکسی فارم این بی پی کی ویب سائٹ www.nbp.com.pk پر بھی دستیاب ہے)۔

• ممبران سے درخواست ہے کہ وہ اپنے پتے میں کسی بھی تبدیلی کی اطلاع فوری طور پر بینک کے رجسٹرار/ شیئر زٹرانسفر ایجنٹ یعنی میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ کو دیں۔

اپیشل ایجنڈے کے لئے ووٹنگ کا طریقہ کار:

یہاں یہ مطلع کیا جاتا ہے کہ کمپنیز (پوشل بیلٹ) ریگولیشنز، 2018 اور اس کی ترامیم SRO 2192(I)/2022 مورخہ 05 دسمبر 2022 کے ذریعے مطلع کیا گیا ہے کہ ممبران کو سالانہ اجلاس عام (AGM) میں خصوصی کاروبار کے لیے ووٹ کا حق استعمال کرنے کی اجازت ہوگی۔ مذکورہ ضابطے میں بیان کردہ شرائط کے مطابق، بینک اپنے اراکین کو ووٹنگ کے لیے درج ذیل اختیارات فراہم کرے گا:

الیکٹرانک ووٹنگ کا طریقہ کار:

الف) کمپنیز (پوبل ہیلٹ) ریگولیشنز، 2018 کے مطابق بینک کا شیئر رجسٹر ارمبرز کو مکمل معلومات بھیجے گا، بشمول لیکن ان تک محدود نہیں، ویب ایڈریس، لاگ ان کی تفصیل، پاس ورڈ، ای ووٹ ڈالنے کی تاریخ، اور دیگر ضروری تفصیلات شامل ہیں اور ممبران کے رجسٹر میں دستیاب ان کے رجسٹرڈ ای میل اور موبائل نمبر پر ایس ایم ایس کے ذریعے سیکورٹی کوڈ بھیجے گا۔

ب) الیکٹرانک ووٹنگ کے ذریعے ووٹ ڈالنے کا ارادہ رکھنے والے ممبران کی شناخت الیکٹرانک دستخط یا لاگ ان کے ذریعے تصدیق کی جائے گی۔

ج) الیکٹرانک ووٹنگ کے ذریعے اپنا ووٹ ڈالنے میں دلچسپی رکھنے والے افراد کا اپنے CNIC، موبائل نمبر، اور ای میل ایڈریس اور کسی کارپوریٹ ادارے کی صورت میں کمپنی کے ریکارڈز میں NTN کی دستیابی لازمی ہے۔

د) تمام سی ڈی ایس اکاؤنٹ ہولڈرز کے لئے لازمی ہے کہ وہ اپنے شرکاء کے ساتھ اپنے ریکارڈز کو اور فزیکل شیئر ہولڈرز بینک کے شیئر رجسٹر یعنی CDCSRL کے پاس ریکارڈز بک بند ہونے کی تاریخ سے پہلے اپ ڈیٹ کریں۔

ه) خصوصی ایجنڈا آن لائن کے لئے ووٹنگ لائنز شیئر ہولڈرز کے لئے 25 مارچ 2024 صبح 9:00 بجے سے 27 مارچ 2024 شام 5:00 بجے تک کھولی جائیں گی۔

پوبل ہیلٹ

انفرادی اور کارپوریٹ باڈی کی صورت میں شیئر ہولڈرز اس بات کو یقینی بنائیں کہ درست طریقے سے بھرے ہوئے اور دستخط شدہ ہیلٹ پیپر کے ساتھ قابل قبول CNIC کی ایک کاپی، مستند دستاویزات یعنی بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی کی دستیابی یقینی بنائیں۔ مجاز دستخط کنندگان کے CNIC وغیرہ کو بھی بذریعہ ڈاک چیئر مین نیشنل بینک آف پاکستان، ہیڈ آفس بلڈنگ، دوسری منزل، آئی آئی چندریگر روڈ، کراچی یا بذریعہ ای میل agm@nbp.com.pk پر شام 5:00 بجے تک پہنچادیں۔ پونگ کے دن سے پہلے یعنی 27 مارچ 2024 شام 5:00 بجے تک۔

ذاتی طور پر یا پراکسی کے ذریعے ووٹ کا سٹنگ:

سالانہ اجلاس عام میں ووٹ ڈالنے کی غرض سے پونگ بوتھ قائم کیا جائے گا۔

حصص یافتگان کے لئے خصوصی نوٹس:

1- بک انٹری فارم میں فزیکل شیئرز کی ڈپازٹ/تبدیلی:

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے خط نمبر CSD/ED/Misc./2016-639-640 مورخہ 26 مارچ 2021 کے ذریعے لسٹڈ کمپنیوں کو ہدایت دی ہے کہ وہ کمپنیز ایکٹ، 2017 کے سیکشن 72 پر عمل کریں جو کہ تمام موجودہ کمپنیوں سے مطالبہ کرتا ہے کہ وہ اپنے جاری کردہ فزیکل حصص کو بک انٹری فارم میں اس طریقے سے تبدیل کریں جیسا کہ بیان کیا گیا ہے اور ("SECP") کی طرف سے مطلع کیا گیا ہے ایکٹ کے نفاذ کردہ تاریخ کے مطابق ہو، لیکن چار سال سے زیادہ نہیں ہونی چاہئے۔ مذکورہ ہدایت پر غور کرتے ہوئے، این بی پی نے ایکٹ کے تقاضوں کی تعمیل کو یقینی بنانے کے لئے 28 اکتوبر 2021 کو ایک اشتہار بھی شائع کیا گیا ہے اور مشورہ دیا ہے کہ وہ براہ راست سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (CDC-Sub یا CDC) کے ساتھ ایک سرمایہ کاری اکاؤنٹ کھول لیں۔ پاکستان اسٹاک ایکسچینج لمیٹڈ کے ساتھ رجسٹرڈ TREC ہولڈرز میں سے کسی کے ساتھ اکاؤنٹ ان کے فزیکل شیئرز کو بک انٹری فارم میں ڈالیں۔ یہ نہ صرف متعلقہ قواعد و ضوابط کی تعمیل کو محفوظ بنائے گا بلکہ شیئر ہولڈرز کے استحقاق کی تقسیم کے عمل کو بھی تیز کرے گا۔

2- بینک کی ویب سائٹ پر آڈٹ شدہ مالیاتی گوشواروں کی دستیابی:

31 دسمبر 2023 کو ختم ہونے والے سال کے آڈٹ شدہ سالانہ مالیاتی گوشواروں کے ساتھ آڈیٹرز رپورٹ، ڈائریکٹرز رپورٹ اور چیئر مین کی جائزہ رپورٹ اپنی ویب سائٹ www.nbp.com.pk پر اپ لوڈ کر دی گئی ہیں۔

مادی حقائق کا بیان

یہ بیان 28 مارچ 2024 کو ہونے والے نیشنل بینک آف پاکستان کے شیئر ہولڈرز کے پچھتر ویں سالانہ اجلاس عام میں عمل میں لانے کے لیے نوٹس کے ایجنڈا نمبر 5.4 اور 6 میں دی گئی خصوصی کارروائی سے متعلق مادی حقائق طے کرتا ہے۔

ایجنڈا آئٹم نمبر 4:

بورڈ کی معاوضہ پالیسی میں ترامیم کے ساتھ تجدید کی منظوری

بورڈ کی معاوضہ پالیسی کو ابتدائی طور پر 27 جولائی 2020 کو منعقد ہونے والے غیر معمولی اجلاس عام میں شیئر ہولڈرز نے منظوری دی تھی۔ 30 مارچ 2023 کو ہونے والے این بی پی کے چوتھوں سالانہ اجلاس عام میں بعد ازاں ترامیم کی منظوری دی گئی۔ بورڈ آف ڈائریکٹرز نے معاوضہ پالیسی کا جائزہ لیا اور اسٹیٹ بینک آف پاکستان کے کارپوریٹ گورننس ریگولیشنز فریم ورک (CGRF) کے ساتھ ہم آہنگ کرنے کے لیے اپ ڈیٹ کیا۔ پالیسی ایڈجسٹمنٹ کا مقصد صنعت کے معیار اور بہترین طریقوں کے ساتھ ہم آہنگی بڑھانا ہے۔ اپ ڈیٹ کے باوجود ڈائریکٹرز کے لیے معاوضے کے سٹرکچر میں کوئی خاص تبدیلی نہیں ہوئی ہے۔

بورڈ کی معاوضہ پالیسی میں اہم تبدیلیوں کا خلاصہ:

نمبر شمار	موجودہ	نئی	دلیل
1	شق 6.1، 7، 8.1 اور 9 بحوالہ 12 مئی 2020 کو منعقدہ 71 ویں سالانہ اجلاس عام اور 15 مئی 2017 کو منعقدہ غیر معمولی اجلاس عام۔	شق 6.1، 7، 8.1 اور 9 30 مارچ 2023 کو منعقدہ 74 ویں سالانہ اجلاس عام کے حوالے سے تبدیلی۔	شیئر ہولڈرز کی منظوری کے تحت متعلقہ شق کو اپ ڈیٹ کرنا۔
2	شق 8.2 انشورنس کوریج پر خاموشی۔	شق 8.2 سرکاری مقصد اور/یا بورڈ/بورڈ کمیٹی کے اجلاسوں میں شرکت کے لیے بین الاقوامی سفر کے دوران ٹریول اور ہیلتھ انشورنس کوریج۔	بین الاقوامی سفر کے دوران ڈائریکٹرز کی زندگی اور صحت کے لیے انشورنس کوریج ضروری ہے۔
3	شق 11 بحوالہ اسٹیٹ بینک آف پاکستان کے BPRD سرکل نمبر 2019/03۔ قبل اور بعد از حقائق کی بنیاد پر شیئر ہولڈرز کی منظوری۔	شق 11 بحوالہ اسٹیٹ بینک آف پاکستان کے BPRD سرکل نمبر 2019/05 (سی جی آر ایف)۔ صرف قبل از حقائق کی بنیاد پر شیئر ہولڈرز کی منظوری۔	سی جی آر ایف نے گزشتہ سرکلر کی جگہ لے لی ہے۔ اسٹیٹ بینک آف پاکستان کی G-14 کی CGRF شق (i) 2 کی وجہ سے۔

بورڈ نے منظوری کے لیے شیئر ہولڈرز کو درج ذیل قراردادوں کی سفارش پیش کی ہے۔

”قرار پایا کہ بورڈ کی معاوضہ پالیسی میں تجدید/ترمیم کی گئی ہے اور بورڈ کی معاوضہ پالیسی میں پیش کردہ اہم تبدیلیوں کے خلاصے کے مطابق اپ ڈیٹ کردہ پالیسی کی منظوری دی جاتی ہے۔“
اعلان دستبرداری: کمپنیز ایکٹ 2017 کے سیکشن 134 (3) کے مطابق صدر کے علاوہ تمام ڈائریکٹرز اور چیئرمین اس خصوصی قرارداد میں دلچسپی رکھتے ہیں۔

ایجنڈا آئٹم نمبر 5:

کیو آر فعال کوڈ اور ویب لنک کے ذریعے ممبران کو بینک کے سالانہ آڈٹ شدہ مالی گوشواروں کی ترسیل کی منظوری دینا

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے نوٹیفکیشن S.R.O 389 (I) 2023/ مورخہ 21 مارچ 2023، میں ٹیکنالوجی میں جدت اور پرانی ٹیکنالوجی کے خاتمے کو تسلیم کرتے ہوئے، لسٹڈ کمپنیوں کو اجازت دی گئی ہے کہ وہ اپنے ممبران کو سی ڈی/ڈی وی ڈی/یو ایس بی کے روایتی ترسیل کے طریقہ کار کے بجائے سالانہ آڈٹ شدہ مالیاتی گوشواروں کی QR کوڈ اور ویب لنک کا استعمال کرتے ہوئے ترسیل کریں۔ یہ عام اجلاس کے دوران حاصل کردہ شیئر ہولڈرز کی منظوری سے مشروط ہے۔ بینک ممبران کو سالانہ اجلاس عام کا نوٹس بھیجے گا اور مذکورہ نوٹیفکیشن میں بیان کردہ ایس ای سی پی کی دیگر ہدایات پر عمل کرے گا، بشمول:

(الف) ای میل کے ذریعے سالانہ آڈٹ شدہ مالیاتی گوشوارے شیئر ہولڈرز کو ارسال کرنا جنہوں نے بینک کو اپنا ای میل ایڈریس فراہم کیا ہو؛ اور

(ب) ایک ہفتے کے اندر شیئر ہولڈرز کو متعلقہ دستاویزات کے ساتھ سالانہ آڈٹ شدہ مالیاتی گوشوارے کی ہارڈ کاپی مفت فراہم کرنا ہوگی، نیز بینک کی ویب سائٹ پر دستیاب درخواست فارم پر شیئر ہولڈرز کی درخواست موصول ہوتی ہے۔

شیر ہولڈرز سے درخواست کی جاتی ہے کہ وہ درج ذیل قراردادوں کی منظوری دیں:

”یہ قرار پایا ہے کہ بینک اپنے ممبران کو کیو آر فعال کوڈ اور ویب لنک کے ذریعے سالانہ آڈٹ شدہ مالیاتی گوشوارے ارسال کرے گا اور سی ڈی / ڈی وی ڈی / یو ایس بی کے ذریعے سالانہ مالیاتی گوشواروں کی ترسیل بند کر دے گا، اور اس کی منظوری دی جاتی ہے۔“

”مزید قرار پایا ہے کہ بینک سیکیورٹیز اینڈ ایکسچینج کمیشن نوٹیفکیشن S.R.O. 389 (I) 2023 مورخہ 21 مارچ 2023 میں دیئے گئے ضوابط کو یقینی بنائے گا اور بینک کے ممبران کو سالانہ اجلاس عام کے نوٹس کی ترسیل اور سالانہ رپورٹ کی سرکولیشن کے سلسلے میں تمام قابل اطلاق قوانین کی تعمیل کی جائے گی، اور اس کی منظوری دی جاتی ہے۔“

اعلان دستبرداری: کمپنیز ایکٹ 2017 کے سیکشن 134(3) کے مطابق، کوئی بھی ڈائریکٹر/چیئرمین/صدر خصوصی قراردادوں میں براہ راست یا بالواسطہ دلچسپی نہیں رکھتا ہے ایجنڈا آئٹم نمبر 6:

نیشنل بینک آف پاکستان کے شیر ہولڈرز کی جانب سے جناب رحمت علی حسنی، صدر/سی ای او کو NBP بھلیک برانچ، جمہوریہ کرغز، NBP باکو برانچ، آذربائیجان اور ذیلی بینک الماتی کی بندش کے حوالے سے ضروری قانونی/ریگولیٹری دستاویزات پر دستخط کرنے کا اختیار دینا

این بی پی کے شیر ہولڈرز نے مورخہ 29 مارچ 2021 کو ہونے والے اپنے 72 ویں اجلاس میں تمام وسطی ایشیائی مقامات پر آپریشنز بند کرنے کے لیے اپنی رضامندی دی تھی اور اس وقت کے صدر/سی ای او، این بی پی جناب عارف عثمانی کو این بی پی کے شیر ہولڈرز کی جانب سے تمام ضروری قانونی/ریگولیٹری دستاویزات پر دستخط کرنے کا اختیار بھی دیا تھا۔ جناب عارف عثمانی نے اپنی مدت ملازمت پوری کرنے کے پر بینک چھوڑ دیا ہے۔ لہذا مقامی ریگولیٹری تقاضوں کی تعمیل کرنے کے لیے، ہم نیشنل بینک آف پاکستان کے شیر ہولڈرز سے گزارش کرتے ہیں کہ وہ اختیارات موجودہ صدر/سی ای او جناب رحمت علی حسنی کو تفویض کریں، تاکہ وہ تمام دستاویزات پر دستخط کریں جن میں شیر ہولڈرز کی جانب سے کرغز جمہوریہ، آذربائیجان اور قازقستان میں آپریشنز بند کرنے کے فیصلے شامل ہیں، جیسا کہ اس وقت کے صدر جناب عارف عثمانی کو سونپا گیا تھا۔

بورڈ نے منظوری کے لیے شیر ہولڈرز کو درج ذیل قرارداد کی سفارش کی ہے:

”قرار پایا ہے کہ جناب رحمت علی حسنی، صدر/سی ای او، این بی پی، ہیڈ آفس، کراچی کو نیشنل بینک آف پاکستان کے شیر ہولڈرز کی جانب سے بیرون ملک برانچوں/ ماتحت اداروں میں آپریشنز کی بندش کیلئے تمام ضروری قانونی/ریگولیٹری دستاویزات پر دستخط کرنے کا اختیار دیا گیا ہے اور اس کی منظوری دی جاتی ہے۔“

اعلان دستبرداری: کمپنیز ایکٹ 2017 کے سیکشن 134(3) کے مطابق، صدر کے علاوہ کوئی بھی ڈائریکٹر/چیئرمین خصوصی قرارداد میں براہ راست یا بالواسطہ دلچسپی نہیں رکھتا ہے۔

**FINANCIAL
STATEMENTS**
(UNCONSOLIDATED)



DIRECTORS' REPORT TO THE MEMBERS

Dear Stakeholders,

The Board of Directors are pleased to present the Annual Report of National Bank of Pakistan "NBP" "the Bank" together with the audited financial statements for the year ended December 31, 2023 and the independent Auditors' Report thereon. Proper books of account have been maintained and these financial statements fairly present the Bank's state of affairs, the result of its operations, cash flows and changes in equity during the year.

Operating Context

Globally, economic growth has been volatile over recent quarters. In part, the slowing trend for global growth mirror the impacts of tightening in monetary policy and restrictive lending strategies aimed at fighting inflation. While the supply side pressures triggered by COVID-19 have gradually eased, cross-border trade activity remains fragile, inflation remains above central bank targets in most regions and economic conditions remain challenging for developing economies and adverse prone countries. Going forward, with signs of inflation moderating faster than expected could lead to easing of financial conditions and broadly balancing the risks to global growth. The slowing inflation trend in advanced economies has increased the likelihood that most major central banks have either reached the end of their tightening cycle or are near the peak. The World Bank has recently projected Global growth at 3.1 % in 2024 and 3.2 % in 2025, with the 2024 forecast 0.2 %age point higher than October 2023 projections (though below 2000-2019 historical average) on account of greater-than expected resilience in several large economies and developing economies.

Pakistan Economy

Pakistan Economy In first half of FY24, macroeconomic conditions have gradually improved, leading to a revival in overall economic activity compared to the challenging FY23. This persistent uptick has resulted in improved GDP growth of above 2.1% in the first half of FY24, with expectations for continued growth in the second half and thereafter. In 2023, the authorities

took challenging steps to bring the fuel, electricity and natural gas prices closer to costs. It is appropriate that the SBP maintains a tight stance to ensure that inflation returns to more moderate levels. Inflation levels seem to have peaked. Keeping in view the latest round of energy tariff hikes, the central bank has projected inflation range to 23%-25%. Assuming sustained sound macro policy and structural reforms implementation, inflation is expected to return to the SBP target and growth continue to strengthen over the medium term.

Pakistan's performance under the IMF programme and other bilateral arrangements is providing market confidence and exchange rate stability following significant shocks in FY2022-23. Pakistan's total liquid foreign exchange reserves increased to \$ 13.2 billion on January 29, 2024, with SBP's reserves stood at \$ 8.2 billion and Commercial banks' reserves remained at \$ 5.0 billion, while the exchange rate has been broadly stable. The current account deficit is expected to rise to around 1.5% of GDP in FY24 as the recovery takes hold. On the fiscal front, despite encouraging revenue performance, the expenditure side remains under pressure attributed to higher mark-up spend. However, government measures to control non-mark up spending is helping in improving the primary surplus. The overall fiscal deficit has been widened by 2.3% of GDP, while the primary surplus improved by 1.7% of GDP during Jul-Dec FY24. A surge of 46 % was observed in revenue collection, fuelled by above 100% increase in non-tax collection while a 30% rise in tax revenues. Although the high markup payments challenge continued, austerity measures are being implemented to ensure sustainable fiscal accounts by the end of FY24.

Pakistan Stock Exchange. KSE-100 Index that surged more than 60% in 2023, making it the best performer among the Asian frontier markets. 2023 emerged as the year of turnaround for the Pakistan Stock Exchange (PSX) as the KSE-100 hit new peaks and emerged as the best-performing asset class in the country, delivering a return of nearly 55% in the 12-month period (in rupee terms). The KSE-100 Index signed off 2023 at 62,451.04, an increase of 22,031 points or nearly 55% in calendar year 2023. With clarity

on political front and the new elected government being set up soon, business confidence and the investment climate are expected to gradually improve.

Building a Resilient NBP

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Performance of the Banking Sector

Favourable economic tailwinds, high interest rate environment, and improving economic outlook has helped the banking industry achieve robust growth in profitability during 2023, including growth in assets and deposits. However, this came with a concentration in government bonds that make up 42% of total banking assets. That said, overall credit quality is

improving and the widely expected monetary policy easing in 2024 will support non-performing loans on their downward trend. Loan growth is set to accelerate owing to a brighter outlook for GDP growth, inflation and interest rates. The central bank has maintained policy rate at 22% since July 2023. The market expects that policy rate will be considerably cut by end-2024, which will reduce the cost of debt and increase corporate appetite for credit-financed growth.

As per the SBP directives, IFRS 9 stands implemented effective January 01, 2024. This may lead to, (i) a one-time provision on existing financial assets, routed through equity and (ii) recurring credit cost calculated in relation to asset book quality, and reclassification of certain investments. However, no major impact is expected on capital adequacy ratios of the banks, in line with the SBP implementation instructions.

Strong Financial Delivery in 2023

Despite the continued challenging environment, the Bank has delivered strong financial results for the year ended December 31, 2023. For the year under review, NBP has recorded after-tax profit of PKR 51.8 Bn.

In the backdrop of higher average policy rates coupled with a major volumetric growth in interest bearing assets, the Bank generated a gross mark-up/interest income of PKR 1,024.7 Bn which is more than double the PKR 503.3 Bn of prior year. Likewise, interest/mark-up expense amounted to PKR 855.9 Bn, of which PKR 365.1 Bn or 43% was paid to the depositors. Consequently, net interest/mark-up income "NII" closed at PKR 168.7 Bn which is 44.4% higher, YoY. Despite a challenging trade business environment during the year, the Bank achieved 10.7% growth in its non-mark-up / interest "NFI" earning stream that closed at PKR 40.6 Bn i.e., PKR 3.9 Bn up against PKR 36.7 Bn of the preceding year. Accordingly, total revenue of the Bank closed 36.4% high YoY at PKR 209.3 Bn (2022: PKR 153.5 Bn).

Operating & other expenses for the year amounted to PKR 93.3 Bn depicting a YoY increase 19.5%. HR costs that constitute around 60.4% of the total operating expenses, amounted to PKR 56.4 Bn i.e., 15.5% up against PKR 48.8 Bn in 2022. The increase of PKR 7.57 Bn in mainly due to an increase of PKR 3.56 Bn on account of charge for defined benefit plan.

The Bank invests appropriate funds in the uplift and maintenance of its business premises, providing a secure & healthy work environment to its workforce

Profitability (PKR 'Bn)

No.	Key Items	2023	2022	Better / (Worse)	
				Amount	%
1	Net Interest Income	168.7	116.8	51.9	44.4% ▲
2	Non-Fund Income	40.6	36.7	3.9	10.7% ▲
3	Total Income	209.3	153.5	55.8	36.4% ▲
4	Operating Exp.	93.3	78.1	(15.2)	19.5% ▲
5	Pre-Prov. Profit	115.7	75.3	40.4	53.6% ▲
6	Provision Charge	14.5	12.6	(1.9)	14.8% ▲
7	Pre-tax profit	101.3	62.7	38.5	61.4% ▲
8	Tax	49.4	32.3	(17.1)	52.9% ▲
9	After-tax profit	51.8	30.4	21.4	70.5% ▲
10	EPS (Rs.)	24.37	14.29	10.07	70.5% ▲

and customers. This year we spent a sum of PKR 1.5 Bn on repair and maintenance of our business premises. Overall property-related expenses amounted to PKR 12.2 Bn, which is 13.7% more than the prior year. Since Information Technology is pivotal for the Bank to achieve its strategic goals, we continue to invest in upgrading our core banking application, systems, and applications architecture. In 2023, we spent PKR 2.8 Bn on software maintenance and PKR 0.9 Bn on network enhancement. In line with our prudent strategy to buttress the Bank's balance sheet against possible stress, PKR 14.5 Bn provisions have been taken, of which PKR 13.4 Bn are against advances (mostly being provisions in view of the credit risks associated with certain sectoral pressures which are becoming evident) and PKR 0.5 Bn against investments. Consequently, profit before tax amounted to PKR 101.3 Bn which is 61.4% higher than PKR 62.7 Bn of the corresponding year.

With effective tax rate at 48.8% (2022: 51.9%), tax charge for the year amounted to PKR 49.4 Bn. Consequently, the Bank's after-tax profit closed at PKR 51.9 Bn which is 70.5% higher than PKR 30.4 Bn of previous year.

Appropriation of Profit

The Board is fully aware and conscious of the impact of high inflation on our shareholders, many of whom look forward to receiving dividends. We assure our shareholders that our dividend pay-out decisions purely reflect the economic environment, regulatory guidelines and financial soundness of the Bank. A stronger balance sheet and capital position mean your Bank is well placed to deliver better and sustainable results over the long-term. The Board deliberated at length whether or not cash dividend should be recommended. However, the likely impact of the pension case and other

contingencies, still remains a cause of concern for the Board. Accordingly, it is considered prudent to retain the profits for the time being and once the position becomes clearer, the Bank may consider declaration of dividend at a later stage. Thus, the Board does not recommend any dividend for the year 2023. Profit for the year ended December 31, 2023 after carry forward of accumulated profit of 2022 is proposed to be appropriated as follows:

	(PKR 'Mn)
Profit after tax for the year ended December 31, 2023	51,840.5
Unappropriated profit brought forward	172,511.7
Other comprehensive income - net of tax	(595.2)
Transfer from surplus on revaluation of fixed assets-net of tax	181.5
Profit available for appropriations	<u>223,938.4</u>
Appropriation:	
Transfer to Statutory Reserve	(5,184.0)
Un-appropriated profit carried forward	<u>218,754.4</u>

• Balance Sheet Growth

(PKR 'Bn)				
No.	Key Items	2023	2022	Growth
1	Investments – Net	4,403.4	3,477.4	26.6%
2	Advances (net)	1,398.1	1,230.5	13.6%
3	Total Assets	6,652.7	5,240.4	26.9%
4	Deposits	3,674.4	2,666.2	37.8%
5	Borrowings	2,177.7	1,940.5	12.2%
6	Net Assets	382.8	300.8	27.2%
7	Break-up Value	179.9	141.4	27.2%
8	Islamic Banking Assets	140.2	109.3	28.2%

The Bank's end of year total assets closed at PKR 6,652.7 Bn which is a massive 26.9% increase from PKR 5,240.4 Bn at the end of 2022. Capital & reserve closed at PKR 382.8 Bn i.e. PKR 81.9 Bn or 27.2% up from PKR 300.8 Bn on December 31, 2022. Gross loans & advances of the Bank stood at PKR 1,631.7 Bn depicting a healthy YoY increase of 13.4% or PKR 193.1 Bn; whereas, net advances stood at PKR 1,398.1 Bn. Growth in advances was achieved in most of our products including corporate, commodity, agriculture and Islamic. Consequently, the advances-to-deposits ratio stood at 44.4% at the end of 2023 (2022:54.0%). Non-performing loans recorded a surge of 7.6% and amounted to PKR 220.8 Bn (2022: PKR 205.3 Bn). With PKR 203.6 Bn of specific provisions held, NPL coverage ratio stood high at 92.2%.

The Bank's investments (at cost) amounted to PKR 4,393.9 Bn (2022: PKR 3,509.0 Bn) with a carrying value of PKR 4,403.4 Bn (2022:PKR 3,477.4 Bn). Pursuant to an effective yield/interest rate risk and liquidity management strategy, the Bank is maintaining a diversified investment portfolio across zero risk weighted GoP instruments, high dividend yielding equities and other interest-bearing financial assets with interest sensitive maturity pattern. In the prevailing interest rate scenario and rate expectations, our investment book predominantly has a shorter-term maturity profile with 93% on the investments held under available-for-sale category.

As of December 31, 2023, total deposits with the Bank amounted to PKR 3,674.4 Bn as compared to PKR 2,666.2 Bn at the end of 2022. Major share of the Bank's funding comes from sticky customer deposits that contribute 86.2% of the total deposits. With current deposits amounting to PKR 1,970.5 Bn or 53.6% of the total deposits, the Bank maintains a strong liquidity profile. The Bank maintained its CASA ratio high at 78.8%. Detailed coverage of the financial performance and other organizational development is also given elsewhere in this Annual Report. The Bank has enough resources to meet all its financial obligations and hasn't defaulted in payment of any debt or other financial obligation.

Islamic Banking

The Islamic banking business is one of the fastest growing segments within the Bank. NBP Aitemaad's total assets increased to PKR 140.2 Bn at the end 2023 from PKR 109.3 Bn at the end 2022 recording significant growth of 28.2% YoY. Whereas, total earning assets recorded a 24.3% YoY growth reaching PKR 125.4 Bn compared to PKR 101.0 Bn at end 2022. NBP Aitemaad offers the entire spectrum of banking products, from large-ticket corporate deals to retail deposits and consumer finance. NBP Aitemaad closed deposit at PKR 113.8 Bn at the end 2023, compared to PKR 93.6 Bn depicting a 22% YoY growth, while CASA growth was 27% YoY. At end of 2023, total deposit customers stood at 250K, showing a YoY increase of 12%. In line with our strategy for promoting Islamic banking, we expanded Islamic banking windows network from 50 to 150 during the year and are committed to further extended up to 250 by the end of 2024. With total operating income of PKR 8.2 Bn (48% up YoY), Islamic banking operations posted pre-tax profit of PKR 3.53 Bn, depicting a massive 53.6% growth YoY. In light of the judgement of the Federal Shariah Court, NBP Aitemaad has initiated the plan for conversion of conventional products in a Shariah compliant way.

Material changes subsequent to The Balance Sheet Date

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

Governance & Stewardship by the Board

Throughout the year, the Board remained focused on delivering its role of stewardship by providing effective leadership and strategic insight. A detailed overview of functioning of the Board is given in the Corporate Governance section of this Report. Also, a statement has been separately made regarding Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019, and the Public Sector Companies (Corporate Governance) Rules, 2013. For better corporate governance, the Board has formed committees, currently including:

1. Board Audit Committee
2. Board Risk & Compliance Committee
3. Board HR & Remunerations Committee
4. Board Technology & Digitalisation Committee
5. Board Inclusive Development Committee
6. NBP-NY Governance Council (Sub-Committee of BRCC)

The Board committees function as per their respective Terms of Reference (ToRs) approved by the Board. A brief description of the functions of each committee, is given in the

Principal Activities

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

Changes in the Board of Directors

Following changes took place in the Board of Directors During 2023:

1. The Federal Government vide Notification No. F.1 (11) Bkg-III/2017-90 dated January 18, 2023, appointed Mr. Ashraf Mahmood Wathra as Chairman of the Board, Mr. Amjad Mahmood as Non-Executive Director, Mr. Ali Syed and Mr. Nasim Ahmad as Independent Directors on the Board.
2. Mr. Asif Jooma completed his three years' term of appointment as a director and retired on March 08, 2023.
3. Mr. Farid Malik, completed his three years tenure as Director on July 26, 2023 and was re-elected as Director by the private shareholders through the election in the Extraordinary General Meeting held on July 25, 2023.
4. The Federal Government, vide notification No. F.1(9) Bkg-III/2022 dated August 07, 2023 appointed Mr. Rehmat Ali Hasnie as the President/CEO of the Bank for a period of three years.

Also please refer to the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, and the Listed Companies (Code of Corporate Governance) Regulations, 2019 included in this Annual Report.

Meeting of the BoD and BoD Committees Held during 2023

Details of the meetings of the Board and the Board Committees held during the year are stated elsewhere in this Annual Report.

Contingency Regarding the Pension Case

Status of the law suit is disclosed in detail in Note 25.3.4.1 to the Annual Financial Statements for the year ended December 31, 2023. And based on an

independent actuarial firm's assessment, overall pension liability in case of an adverse final judgement will amount to PKR 98.7 Bn. Further, in the event of an adverse judgement, the potential annual recurring cost for the year 2024 onward will be around PKR 13.5 Bn. Based on the opinion of legal counsel, no provision for any additional pension liability has been made in these annual financial statements for the above-mentioned amount as the Bank is confident for a favourable outcome in the matter.

Explanation with regards to emphasis of matter in the Auditors' Report

The external auditors, in their report to the shareholders, have included emphasis of matter by drawing attention to Note 25.3.4.1 to the financial statements which explains the contingency in relation to litigation by retired employees of the Bank. As opined by its legal counsels, the Bank has reasonably strong legal grounds to convince the Honourable Supreme Court of Pakistan for a judgement in this matter. Therefore, pending the decision on the review petitions, the financial impact of the subject case has not been included in the financial statements for the year ended December 31, 2023.

Capital Adequacy & Strength

The Bank has achieved significant improvements in financial soundness indicators during 2023. While Common Equity Tier 1 Capital (CET1) ratio stood at 19.16% (2022:16.30%), the Total Capital Ratio stood at 25.47% (2022: 21.59%). The Bank's Leverage ratio was 3.12% % at the end of 2023 (2022: 3.08%). The Bank's liquidity coverage and net stable funding ratios also improved to 176%% (2022: 195%) and 259 % (2022: 251%) respectively against their regulatory requirement of 100%.

Credit Ratings

NBP is rated as 'AAA' by both the recognised credit rating agencies in Pakistan. In June 2023, 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).

Remuneration to the Directors

The shareholders of the Bank, in their general meeting held on July 27, 2020, approved a remuneration policy for the non-executive/independent directors for attending meetings of the Board and Board

Committees. This Policy is compliant with applicable laws including the Banks' (Nationalisation) Act 1974, NBP's bye-laws, and instructions of the State Bank of Pakistan. In terms of this Policy, the Board shall, from time to time, determine and recommend such level of remuneration for approval by the shareholders, for attending meetings of the Board or meetings of the Committees thereof, as may be within the limits for such remuneration as prescribed by the SBP from time to time and determined to be an adequate measure of remuneration for the performance of relevant duties by such members. In terms of this Policy, the Board shall also ensure that such remuneration is not determined in a manner that may undermine the independence of the Board or Committee members. The detail of compensation paid to the Directors in 2023 is given in Note 41.2 to the unconsolidated financial statements.

Impact of the Government Policies on the Bank Performance

Certain policies of the Government, while these create challenges as well as opportunities for the Bank, have a considerable impact on its performance. Key relevant policies include, e.g., mandatory participation in subsidised lending schemes, deposit protection premium, commission/fee income on government treasury business, and implementation of the treasury single account. Also, the Bank is a major lender to certain public sector companies which have been unable to meet their debt obligations to the Bank in a timely manner or in some cases are unable to service their debt at all. This causes a significant drag on the Bank's income. However, the Bank remains committed to fulfilling its role as a national institution and supporting the government and its initiatives in a manner that it also delivers profitability to its other shareholders.

Major Developments During the Year

During the year, significant progress was made in the area of business & product development, credit mobilisation to agriculture as per SBP guidelines enhancing market outreach, promotion of Islamic banking, strengthening IT systems & infrastructure, and human capital management, etc. Such development initiatives and their outcomes are discussed under respective sections elsewhere in this annual report.

Principal Risks & Uncertainties Facing the Bank

By the very nature of its business model, the Bank is exposed to certain principal risks. As part of its oversight, the Board ensures that adequate risk management policies and frameworks are in place to recognise and mitigate significant risks to which

the Bank is or may be exposed to, and that adequate resources have been deployed to mitigate such risks. A detailed indication of the principal risks and uncertainties as well as the future prospects is discussed in Note 47 to the financial statements.

Governance & Risk

The Bank remains committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance, and recognises the need to continually improve its compliance & control capacity within its domestic as well as overseas footprint. Significant funds have been invested in acquiring new technological platforms for effective internal controls, anti-money laundering, KYC, data accuracy & authenticity and generating quality MIS for efficient decision making.

Compliance & Risk Matters in the New York Branch

With close oversight from the Board of Directors and Head Office Senior Management, the New York Branch completed remedial actions pursuant to the public enforcement actions issued by the New York State Department of Financial Services and the Federal Reserve Bank. Head Office and the Board will continue to maintain close oversight of the Branch, which has made significant progress in enhancing its compliance program. The actions implemented by the Branch and their associated validation by Internal Audit continue to remain subject to review by its regulators.

Closure of Foreign Operations

As of December 31, 2023, after completing all the closure formalities required by SBP and other regulatory bodies, international operations at Representative Offices in Toronto (Canada) and Tashkent (Uzbekistan), Jalalabad Branch (Afghanistan), Sylhet (Bangladesh), Ashgabat branch (Turkmenistan) and Dushanbe Subsidiary Bank (Tajikistan) have been closed. Additionally, the licenses of Almaty (Kazakhstan) and Baku (Azerbaijan) have already been cancelled and both are now under closure process along with Bishkek (Kyrgyzstan) and Chittagong Branch (Bangladesh) which are also currently under closure process. Further, closure of the Paris branch which has been initiated after obtaining regulatory approvals.

Impact of the Bank's Business on the Environment

The Bank acknowledges the importance of environmental considerations in its operations. Although the Bank's core activities do not exert a direct influence on the environment, we have proactively embraced Green Banking initiatives aligned with the SBP's Green Banking Guidelines. This commitment aims to facilitate financing that fosters the transformation of our economy into a resource-efficient and climate-resilient one. The integration of social, economic, and environmental considerations into our business strategy and decision-making processes underscores our dedication to a holistic approach.

Following the guidelines provided in the Environmental & Social Risk Management Implementation Manual by the State Bank of Pakistan, both the Board and Management are resolute in establishing an Environmental and Social Management System. A detailed overview of the Bank's CSR initiatives & activities throughout the year is provided separately in this report, highlighting our commitment to the society.

Appointment of Auditors

The existing auditors of the Bank Messrs BDO Ebrahim & Co. Chartered Accountants and Messrs A. F. Ferguson & Co. Chartered Accountants will be retiring this year. Both the auditors being eligible and have offered themselves for re-appointment as external auditors of the Bank for the year ending December 31, 2024. The Board is pleased to endorse the recommendation of the Board Audit Committee for re-appointment of M/s PwC A. F. Ferguson & Co. Chartered Accountants, and re-appointment of M/s BDO Ebrahim & Co. Chartered Accountants to be the auditors of the Bank for the year ending December 31, 2024.

Contribution in SBP-led Initiatives

In pursuit of its Vision to enable inclusive development, NBP has been actively supporting the Government and SBP-lead initiatives for increasing financial inclusion and has extended financings under various refinance schemes and initiatives.

Endorsement

The following information has been provided elsewhere in this Annual Report. The Board is pleased to endorse the same:

- The Management Statement of Internal Controls
- Risk Management Overview
- Corporate Social Responsibility initiatives
- Pattern of Shareholding
- Credit Rating and Awards.

Future Outlook

The outlook for the Bank's financial performance and outcomes is closely linked to the levels of economic in the country. Your Bank will continue to play its due role in supporting a robust economic recovery in the country, while also maintaining a strong & resilient balance sheet to sustainably create value for its shareholders. The Bank's business strategy will remain focused on financing and supporting underserved sectors including SME, Microfinance, Agriculture finance and the Government initiated subsidised schemes as well as Islamic financing.

Acknowledgement & Appreciation

The Board expresses gratitude for the ongoing commitment and dedication exhibited by our employees in ensuring the uninterrupted provision of banking services to the Nation. We extend acknowledgment to the Government of Pakistan, the State Bank of Pakistan, the SECP, and other regulatory bodies for their unwavering support which has been instrumental in enabling the Bank to realize its full potential and actively contribute to the socio-economic development of Pakistan.

In addition, we extend our appreciation to our current team members and express gratitude to the retiring director, Mr. Asif Jooma, for their collective contributions. Their efforts have played a pivotal role in fortifying the Bank, making it resilient and instrumental in fostering inclusive growth opportunities for the Nation. For and on behalf of the Board of Directors

Rehmat Ali Hasnie
President & CEO

Ali Syed
Director

Karachi

Dated: February 22, 2024

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

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block-C
Lakson Square Building
No.1, Sarwar Shaheed
Road, Karachi - 74200

INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **National Bank of Pakistan** (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2023, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 100 branches which have been audited by us and notes to the unconsolidated financial statements, including material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 25.3.4.1 to the unconsolidated financial statements which explains the contingency in relation to the pension obligation of the Bank. The Bank, based on the opinion of its legal counsel, is confident about a favorable outcome on this matter and hence, no provision has been made in these unconsolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matter

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

Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Provision against advances (Refer notes 5.6 and 11.4 to the unconsolidated financial statements)</p>	
	<p>The Bank makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>Provision against advances of overseas locations is made as per the requirements of the respective regulatory regimes.</p> <p>The Bank has recognized a net provision against advances amounting to Rs. 13,387 million in the unconsolidated profit and loss account in the current year. As at December 31, 2023, the Bank holds a provision of Rs 233,609 million against advances. This includes a general provision against the underperforming portfolio on a prudent basis.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall unconsolidated financial statements of the Bank, we considered the area of provision against advances as a key audit matter.</p>	<p>Our audit procedures to verify provision against domestic advances included, amongst others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirements of PRs; • Evaluated the design and tested the operating effectiveness of the relevant controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances. <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> • controls over correct classification of non-performing advances on time-based criteria; • controls over accurate computation and recording of provision; and • controls over the governance and approval process related to provision, including continuous reassessment by the management. <p>We selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision:</p> <ul style="list-style-type: none"> • Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; • Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and discussions with the management; • In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs; • We also reviewed minutes of the meeting of credit, risk and compliance and audit committees to identify risky exposures; and

S.No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • We had discussions with management to challenge assumptions and judgements used in performing portfolio review and recording provisions. <p>We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Bank, evaluated the work performed by the component auditors and the results thereof.</p>

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;

- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

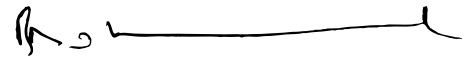
Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended December 31, 2022 were audited by Yousuf Adil, Chartered Accountants and A. F. Ferguson & Co. Chartered Accountants who had expressed an unmodified opinion on those statements vide their report dated March 6, 2023.

The engagement partners on the audit resulting in this independent auditor's report are Zulfikar Ali Causer and Shahbaz Akbar on behalf of BDO Ebrahim & Co. Chartered Accountants and A. F. Ferguson & Co. Chartered Accountants respectively.



A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 4, 2024
UDIN: AR202310068Sh8ilRkBX




BDO Ebrahim & Co.
Chartered Accountants
Karachi
Dated: March 4, 2024
UDIN: AR202310067IA6UFpqlha

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

2022	2023		2023	2022	
------(US Dollars in '000)-----			------(Rupees in '000)-----		
ASSETS					
815,690	1,046,590	Cash and balances with treasury banks	7	294,992,570	229,910,949
65,968	150,163	Balances with other banks	8	42,325,051	18,593,800
110,950	682,715	Lendings to financial institutions	9	192,430,437	31,272,467
12,337,136	15,622,483	Investments	10	4,403,364,043	3,477,353,874
4,365,709	4,960,169	Advances	11	1,398,076,820	1,230,521,804
202,603	202,137	Fixed assets	12	56,974,417	57,105,842
4,928	5,357	Intangible assets	13	1,510,061	1,388,947
23,800	24,602	Right of use assets	14	6,934,471	6,708,404
79,115	-	Deferred tax assets	15	-	22,299,403
586,352	908,603	Other assets	16	256,099,568	165,269,056
18,592,251	23,602,819			6,652,707,438	5,240,424,546
LIABILITIES					
196,083	241,256	Bills payable	17	68,000,448	55,268,019
6,884,556	7,726,310	Borrowings	18	2,177,743,194	1,940,485,787
9,459,227	13,036,083	Deposits and other accounts	19	3,674,359,379	2,666,184,360
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Subordinated debt		-	-
29,333	29,322	Lease liabilities against right of use assets	20	8,264,782	8,267,949
-	2,555	Deferred tax liabilities	15	720,183	-
955,687	1,209,333	Other liabilities	21	340,863,859	269,370,672
17,524,886	22,244,859			6,269,951,845	4,939,576,787
1,067,365	1,357,960	NET ASSETS		382,755,593	300,847,759
REPRESENTED BY					
75,481	75,481	Share capital	22	21,275,131	21,275,131
227,574	280,534	Reserves	23	79,071,471	64,144,050
152,263	225,837	Surplus on revaluation of assets	24	63,654,593	42,916,902
612,047	776,108	Unappropriated profit		218,754,398	172,511,676
1,067,365	1,357,960			382,755,593	300,847,759
CONTINGENCIES AND COMMITMENTS					
25					

The annexed notes 1 to 49 and annexures I and II form an integral part of these unconsolidated financial statements.



 Chairman President / CEO Chief Financial Officer Director Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2023

2022	2023			2023	2022
------(US Dollars in '000)-----			Note	------(Rupees in '000)-----	
1,785,670	3,635,334	Mark-up / return / interest earned	26	1,024,657,648	503,310,285
1,371,187	3,036,642	Mark-up / return / interest expensed	27	855,910,064	386,483,771
414,483	598,692	Net mark-up / interest income		168,747,584	116,826,514
		NON MARK-UP / INTEREST INCOME			
75,045	78,167	Fee and commission income	28	22,032,182	21,152,110
18,473	18,653	Dividend income		5,257,652	5,206,811
26,430	25,328	Foreign exchange income		7,139,106	7,449,563
-	-	Income / (loss) from derivatives		-	-
4,037	15,554	Gain on securities - net	29	4,384,060	1,137,947
6,164	6,363	Other income	30	1,793,465	1,737,445
130,149	144,065	Total non-mark-up / interest income		40,606,465	36,683,876
544,632	742,757	Total income		209,354,049	153,510,390
		NON MARK-UP / INTEREST EXPENSES			
277,087	331,177	Operating expenses	31	93,345,714	78,099,994
258	1,014	Other charges	32	285,940	72,626
277,345	332,191	Total non-markup / interest expenses		93,631,654	78,172,620
267,287	410,566	Profit before provisions		115,722,395	75,337,770
44,705	51,335	Provisions and write offs - net	33	14,469,305	12,600,607
222,582	359,231	PROFIT BEFORE TAXATION		101,253,090	62,737,163
114,691	175,309	Taxation	34	49,412,628	32,326,863
107,891	183,922	PROFIT AFTER TAXATION		51,840,462	30,410,300
------(US Dollars)-----				------(Rupees)-----	
0.05	0.09	Basic earnings per share	35	24.37	14.29
0.05	0.09	Diluted earnings per share	36	24.37	14.29

The annexed notes 1 to 49 and annexures I and II form an integral part of these unconsolidated financial statements.



 Chairman



 President / CEO



 Chief Financial Officer



 Director



 Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

2022	2023		2023	2022
------(US Dollars in '000)-----			------(Rupees in '000)-----	
107,891	183,922	Profit after taxation for the year	51,840,462	30,410,300
		Other comprehensive income / (loss)		
		Items that may be reclassified to profit and loss account in subsequent periods:		
30,908	34,568	Effect of translation of net investments in foreign branches	9,743,375	8,711,721
(85,652)	74,999	Movement in surplus / (deficit) on revaluation of investments - net of tax	21,139,170	(24,141,899)
(54,744)	109,567		30,882,545	(15,430,178)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(11,102)	(2,112)	Remeasurement loss on defined benefit obligations - net of tax	(595,239)	(3,129,095)
10,953	(1,483)	Movement in (deficit) / surplus on revaluation of fixed assets - net of tax	(418,066)	3,087,269
(1,110)	703	Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	198,132	(312,906)
(1,259)	(2,892)		(815,173)	(354,732)
51,888	290,597	Total comprehensive income	81,907,834	14,625,390

The annexed notes 1 to 49 and annexures I and II form an integral part of these unconsolidated financial statements.


 Chairman


 President / CEO


 Chief Financial Officer


 Director


 Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

	Reserves						Surplus / (deficit) on revaluation of assets			Unappropriated profit	Total	
	Share capital	Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / Non-Banking Assets			Total
Balances as at January 01, 2022	21,275,131	12,577,864	38,928,501	343,802	8,000,000	521,338	60,371,495	19,888,217	44,593,905	64,482,122	140,073,817	286,202,565
Total Comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	-	-	-	-	30,410,300	30,410,300
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	8,711,721	-	-	-	-	8,711,721	(24,141,899)	2,774,363	(21,367,536)	(3,129,095)	(15,784,910)
Total Comprehensive Income	-	8,711,721	-	-	-	-	8,711,721	(24,141,899)	2,774,363	(21,367,536)	27,281,205	14,625,390
Transfer to statutory reserve	-	-	3,041,030	-	-	-	3,041,030	-	-	-	(3,041,030)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(197,684)	(197,684)	197,684	-
Transfer to unappropriated profit	-	-	-	-	(8,000,000)	-	(8,000,000)	-	-	-	8,000,000	-
Adjustment of merger reserve	-	-	-	19,804	-	-	19,804	-	-	-	-	19,804
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2022	21,275,131	21,289,575	41,969,531	363,606	-	521,338	64,144,050	(4,253,652)	47,170,584	42,916,902	172,511,676	300,847,759
Total Comprehensive income for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-	-	51,840,462	51,840,462
Profit after taxation for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	9,743,375	-	-	-	-	9,743,375	21,139,170	(219,934)	20,919,236	(595,239)	30,067,372
Total Comprehensive Income	-	9,743,375	-	-	-	-	9,743,375	21,139,170	(219,934)	20,919,236	51,245,223	81,907,834
Transfer to statutory reserve	-	-	5,184,046	-	-	-	5,184,046	-	-	-	(5,184,046)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(181,545)	(181,545)	181,545	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2023	21,275,131	31,032,950	47,153,577	363,606	-	521,338	79,071,471	16,885,488	46,769,105	63,654,593	218,754,398	382,755,593

(Rupees in '000)

Balances as at January 01, 2022
Total Comprehensive income for the year ended December 31, 2022
 Profit after taxation for the year ended December 31, 2022
 Other comprehensive income - net of tax
 Total Comprehensive Income
 Transfer to statutory reserve
 Transfer from surplus on revaluation of assets to unappropriated profit - net of tax
 Transfer to unappropriated profit
 Adjustment of merger reserve
Transactions with owners, recorded directly in equity
 Cash dividend paid (Rs. Nil per share)
Balance as at December 31, 2022
Total Comprehensive income for the year ended December 31, 2023
 Profit after taxation for the year ended December 31, 2023
 Other comprehensive income - net of tax
 Total Comprehensive Income
 Transfer to statutory reserve
 Transfer from surplus on revaluation of assets to unappropriated profit - net of tax
Transactions with owners, recorded directly in equity
 Cash dividend paid (Rs. Nil per share)
Balance as at December 31, 2023

The annexed notes 1 to 49 and annexures I and II form an integral part of these unconsolidated financial statements.


 Chairman


 President / CEO


 Chief Financial Officer


 Director


 Director

UNCONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2023

2022	2023		2023	2022
------(US Dollars in '000)-----			------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES				
222,582	359,231	Profit before taxation	101,253,090	62,737,163
(18,473)	(18,653)	Less: Dividend income	(5,257,652)	(5,206,811)
204,109	340,578		95,995,438	57,530,352
		Adjustments:		
15,865	15,818	Depreciation	4,458,607	4,471,704
1,146	983	Amortization	277,042	323,149
44,705	51,335	Provision and write-offs	14,469,305	12,600,607
(152)	-	Gain on disposal of subsidiary and branch	-	(42,933)
(16)	(888)	Gain on sale of fixed assets	(250,247)	(4,441)
3,238	3,111	Finance charges on leased assets	876,989	912,754
2,173	117	Unrealized loss on revaluation of investments classified as held-for-trading	33,066	612,481
29,640	42,286	Charge for defined benefit plans - net	11,918,752	8,354,267
96,599	112,762		31,783,514	27,227,588
300,708	453,340	(Increase) / decrease in operating assets	127,778,952	84,757,940
1,004,731	(571,765)	Lendings to financial institutions	(161,157,970)	283,194,208
124,961	147,279	Held-for-trading securities	41,512,120	35,221,594
(474,121)	(685,599)	Advances	(193,243,387)	(133,636,179)
(238,448)	(285,899)	Other assets (excluding advance taxation)	(80,583,830)	(67,209,195)
417,123	(1,395,984)	Increase / (decrease) in operating liabilities	(393,473,067)	117,570,428
118,568	45,173	Bills payable	12,732,429	33,419,749
5,846,108	795,792	Borrowings from financial institutions	224,302,435	1,647,788,025
(1,252,288)	3,576,856	Deposits and other accounts	1,008,175,019	(352,970,685)
242,112	249,691	Other liabilities	70,378,196	68,241,777
4,954,500	4,667,512		1,315,588,079	1,396,478,866
(118,814)	(192,002)	Income tax adjusted / paid	(54,117,686)	(33,488,980)
(12,897)	(13,033)	Payments on account of staff retirement benefits	(3,673,558)	(3,635,107)
5,540,620	3,519,833	Net cash flow generated from operating activities	992,102,720	1,561,683,147
CASH FLOW FROM INVESTING ACTIVITIES				
(5,441,692)	(3,939,654)	Net investments in available-for-sale securities	(1,110,433,644)	(1,533,799,090)
(309,614)	652,960	Net investments in held-to-maturity securities	184,043,825	(87,267,953)
18,473	18,653	Dividends received	5,257,652	5,206,811
(9,349)	(9,600)	Investments in fixed assets and intangibles	(2,705,991)	(2,635,099)
198	1,597	Proceeds from sale of fixed assets	449,996	55,915
33,566	37,597	Effect of translation of net investment in foreign branches	10,597,218	9,461,011
6,726	-	Proceed from closure of subsidiary and branch	-	1,041,531
(5,701,692)	(3,238,447)	Net cash flow used in investing activities	(912,790,944)	(1,607,936,874)
CASH FLOW FROM FINANCING ACTIVITIES				
(8,615)	(12,227)	Payments of lease obligations	(3,446,309)	(2,428,160)
(1)	(27)	Dividend paid	(7,567)	(146)
(8,616)	(12,254)	Net cash flow used in financing activities	(3,453,876)	(2,428,306)
(169,688)	269,132	Increase / (Decrease) in cash and cash equivalents	75,857,900	(48,682,033)
957,366	785,646	Cash and cash equivalents at beginning of the year	221,442,758	269,843,949
5,472	4,476	Effect of exchange rate changes on cash and cash equivalents	1,261,569	1,542,411
962,838	790,122		222,704,327	271,386,360
793,150	1,059,254	Cash and cash equivalents at end of the year	298,562,227	222,704,327

The annexed notes 1 to 49 and annexures I and II form an integral part of these unconsolidated financial statements.


 Chairman


 President / CEO


 Chief Financial Officer


 Director


 Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Federal Government and Pakistan Sovereign Wealth Fund (PSWF) holds 75.60% (2022: Federal Government and SBP 75.60%) shares of the Bank. 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 SBP. The Bank operates 1,508 (2022: 1,512) branches in Pakistan including 188 (2022: 188) Islamic Banking branches and 18 (2022: 18) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme and IPS accounts.

2. BASIS OF PRESENTATION

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

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

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

2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 281.8607 to 1 US Dollar has been used for 2023 and 2022 as it was the prevalent rate as on December 31, 2023.

3. STATEMENT OF COMPLIANCE

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

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

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

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

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

3.4.1 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on January 1, 2023 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

3.4.2 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations:

Standards, interpretations or amendments	Effective from accounting period beginning on or after
- IFRS 9 - 'Financial instruments'	January 01, 2024
- IAS 21 - 'Lack of exchangeability' (amendments)	January 01, 2025
- IAS 1 - 'Non current liabilities with covenants' (amendments)	January 01, 2024
- IFRS 16 - 'Sale and leaseback' (amendments)	January 01, 2024

3.4.3 The SBP vide its BPRD Circular No. 02 of 2023 dated February 9, 2023 has specified the new reporting format for financial statements of Banking Companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the quarter ending March 31, 2023. However, SBP vide its BPRD circular No. 07 of 2023 has deferred the applicability from January 01, 2023 to January 01, 2024.

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

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

3.4.6 IFRS 9 Financial Instruments:

As directed by SBP via BPRD Circular no 07 of 2023, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2024 for banks having asset base of more than Rs. 500 billion as at 31 December 2022. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During the 2023, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Risk Management Division has develop Models/ methodologies for PD, LGD and Credit Conversion Factor (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

Finance Group will ensure preparation of disclosures and incorporation of the impacts on the financial statements of the Bank. The function shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. Finance Group shall ensure that all disclosures as required by the accounting standard and the SBP formats and guidelines are made.

The risk management division will perform the back testing of ECL at least on yearly basis and will be responsible for the independent validation of the risk parameters / risk models; including PD, LGD and CCF etc., that are used to compute the ECL which would be carried out as per the policy.

Internal Audit will carry out periodic review of IFRS 9 methodology and impacts calculated by the Management.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification of equity instruments is generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Equity Securities

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For certain listed equity securities currently classified as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to classify them as FVOCI. Therefore, the application of IFRS 9 will not have an impact on initial adoption. However, in accordance with the requirements of the standard, gains and losses recognized in OCI will not be recycled through the profit and loss account on derecognition of these securities.

The remaining listed equity securities will be measured at FVTPL. The AFS reserve related to those securities is currently part of Surplus on Revaluation of Assets and will be reclassified to retained earnings hence, there will be no impact on overall equity.

Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, i.e. at the lower of cost and break-up value, till accounting periods beginning on or after January 1, 2024.

Debt securities and Loans and advances

Debt securities currently classified as AFS and those passes SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those passes SPPI test are expected to be measured at amortized costs under IFRS 9 as the Group business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, do not expect to give risk to cash flows representing solely payments of principal and interest and accordingly, these would be measured at fair value through profit and loss.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default. These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.
- EAD: The expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 5 years data till 31 December 2022 and going forward, one more year's data shall be included until the Bank has at least 10 years data. For calculating ECL, the Bank shall classify its financial assets under three following categories:

- a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.
- b) Stage 2: Under-Performing Assets: For financial assets where there has been a SICR since initial recognition, but which are not credit impaired, the Bank shall recognize an allowance based on lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.
- c) Stage 3: Non-Performing Assets: For financial assets which have objective evidence of impairment at the reporting date, the Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential regulations.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation which will be incorporated as per the SBP's revised format.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2024 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during 2024 and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2023.

Classification and measurement

Based on the bank's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

1. Debt instruments amounting to Rs 15,987 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.
2. Equity instruments amounting to Rs 28,507 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.

Impairment

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 01, 2024 is a decrease of approximately Rs 8,177 million, representing;

- a decrease of Rs 13,808 million in equity due to increase in ECL.
- an increase of Rs 5,631 million in equity resulting from reclassification of investments as mentioned above.

Impact on regulatory capital

The implementation of IFRS 9 is expected to result in reduced regulatory capital of the Bank, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the Financial Institutions (FIs) to follow a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP vide BPRD Circular No.3 of 2022 dated July 05, 2022, have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must only adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.

The impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	19.04%	19.16%
Tier 1 Capital Adequacy Ratio	19.04%	19.16%
Total Capital Adequacy Ratio	25.31%	25.47%
CET1 available to meet buffers (as a percentage of risk weighted assets)	9.04%	9.16%

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

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4. BASIS OF MEASUREMENT

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

5. MATERIAL ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Investments

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

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

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

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the related unrealised gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.
- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.
- Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV / PKISRV / PKFRV) or the Stock Exchanges, as the case may be.
- Investments in subsidiaries, associates and joint venture companies are stated at cost. Provision is made for impairment in value, if any.

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5.3 Repurchase and resale agreements

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

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

5.4 Derivative financial instruments

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

5.5 Financial instruments

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

5.6 Advances

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

5.6.1 Islamic financing and related assets

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

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

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

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

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

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

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

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

5.7 Fixed assets and depreciation

5.7.1 Property and equipment

5.7.1.1 Owned assets

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

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

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

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

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

- Any revaluation increase arising on the revaluation of such assets is recognised in the statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in "Surplus on Revaluation of Fixed Assets" relating to a previous revaluation of that asset.
- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.
- An amount equal to incremental depreciation for the year net of associated deferred tax is transferred from "Surplus on Revaluation of Fixed Assets" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.
- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

5.7.2 Capital work-in-progress

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

5.7.3 Impairment

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

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

5.8 Lease liability and right-of-use assets

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

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

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

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

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

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

5.9 Intangible assets

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

5.10 Non-banking assets acquired in satisfaction of claims

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

5.11 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

5.12 Taxation

5.12.1 Current

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

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5.12.2 Deferred

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

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

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

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

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

5.13 Employee benefits

5.13.1 Defined benefit plans

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

5.13.2 Other employee benefits

Employees' compensated absences

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

5.14 Revenue recognition

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

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

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

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

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

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

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

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

5.15 Net investment in finance lease

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

5.16 Foreign currencies translation

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

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

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

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

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

5.17 Provision for off balance sheet obligations

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

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5.18 Off setting

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

5.19 Fiduciary assets

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

5.20 Dividend and other appropriations

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

5.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2023.

5.22 Bai Muajjal

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

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

5.23 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as on balance sheet financial assets and financial liabilities.

5.24 Segment reporting

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

Business segments

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

- I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.
- II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.

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- III. **Corporate and Investment Banking Group** offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.
- IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.
- V. **International Financial Institution and Remittance Group** includes the results of all international branches, correspondent banking business and global remittances. This represents Bank's operations in 13 countries including Pakistan and 18 branches including one branch in export processing zone in Pakistan.
- VI. **Aitemaad and Islamic Banking Group** provides shariah compliant services to customers including loans, deposits and other transactions.
- VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

Geographical segments

The Bank is managed along the following geographic lines for monitoring and reporting purposes:

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

5.25 Accounting estimates and judgments

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

a) Provision against non-performing loans and advances

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

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

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

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

b) Fair value of derivatives

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

c) Impairment of available-for-sale investments

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

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

Provisions for impairment in value of debentures, term finance certificates and sukuk bonds are made as per the requirements of the Prudential Regulations issued by the SBP.

d) Held-to-maturity investments

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

e) Income taxes

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

f) Fixed assets, Non-Banking asset and intangible assets, revaluation, depreciation and amortisation

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

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

g) Employees' benefit plans

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

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h) Provision against contingencies

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

i) Lease liability against right of use assets

The Bank applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Moreover, management exercises judgement in establishing the discount rate for new leases, utilizing the incremental borrowing rate as a benchmark.

6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

In line with SBP Governance Framework 2018, the Board of Directors (BoD) in its 302nd meeting held on January 20 & 21, 2020 has accorded the approval of International Strategy. As per approved Strategy, the BoD allowed closure of few locations which have already been closed in prior years except Azerbaijan (Baku), Kyrgyzstan (Bishkek) and Kazakhstan (Almaty) are still in the process of closure. The Board of Directors in its 316th meeting held on January 06 & 11, 2021 has accorded its approval to scale down Bangladesh operations.

SBP also directed to close bank's operations in Paris Branch. On the basis of these directives, the BoD in its 327th meeting held on January 17, 2022 accorded their approval.

Closure process at Central Asian locations have been delayed due to non-settlement of NPLs portfolio. Operations at the following locations are under the process of closure. Tentative closure dates are also mentioned there against.

S.No	Name of International Locations	Tentative Date of Closure
1	CJSC Subsidiary Bank of NBP in Almaty, Kazakhstan	31.03.2024
2	Bishkek Branch, Kyrgyzstan	31.03.2024
3	Baku Branch, Azerbaijan	31.03.2024
4	Paris Branch, France	31.03.2024

Particulars	As at December 31, 2023				Total
	CJSC Subsidiary Bank of NBP in Almaty (Kazakhstan) (Subsidiary)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Paris (France)	
Cost of investment - net of impairment	1,003,778	-	-	-	1,003,778
Total Assets	-	1,461,215	2,873,265	1,560,155	5,894,635
Total Liabilities	-	51,793	18,665	123,477	193,935
Profit / (Loss) for the year	-	(15,134)	234,426	(642,483)	(423,191)

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
	Note	------(Rupees in '000)-----	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		62,369,227	52,704,335
Foreign currencies		9,651,086	7,192,805
		72,020,313	59,897,140
With State Bank of Pakistan in:			
Local currency current accounts	7.1	125,791,892	106,909,308
Foreign currency current accounts	7.2	21,661,443	15,661,453
Foreign currency deposit accounts	7.2	43,265,618	15,623,732
Foreign currency collection accounts		1,498,122	1,135,059
		192,217,075	139,329,552
With other central banks in:			
Foreign currency current accounts	7.3	25,964,016	26,631,693
Foreign currency deposit accounts	7.3	4,163,614	3,725,602
		30,127,630	30,357,295
Prize bonds		627,552	326,962
		294,992,570	229,910,949

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

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

7.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 5.5% per annum (2022: 0% to 4.5% per annum).

		2023	2022
	Note	------(Rupees in '000)-----	
8. BALANCES WITH OTHER BANKS			
In Pakistan:			
In deposit accounts	8.1	15,285	13,766
		15,285	13,766
Outside Pakistan:			
In current accounts		33,508,579	12,391,006
In deposit accounts	8.2	8,801,187	6,189,028
		42,309,766	18,580,034
		42,325,051	18,593,800

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

8.1 These include various deposits with banks and carry interest at the rates ranging from 6.00% to 12.70% per annum (2022: 3.5% to 9.5% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at the rates ranging from 1.50% to 7.10% per annum (2022: 0% to 4% per annum).

	2023	2022
Note	------(Rupees in '000)-----	

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	9.1	9,723	9,723
Repurchase agreement lendings (Reverse repo)	9.2 & 9.6	192,420,714	31,262,744
Letters of placement	9.3	174,150	174,150
	9.4	<u>192,604,587</u>	<u>31,446,617</u>
Less: provision held against lendings to financial institutions	9.5 & 9.7	<u>(174,150)</u>	<u>(174,150)</u>
Lendings to financial institutions - net of provision		<u><u>192,430,437</u></u>	<u><u>31,272,467</u></u>

9.1 This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (2022: Rs. 9.7 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 21.00% to 22.95% per annum (2022: 16% to 16.5% per annum) with maturities ranging from January 2, 2024 to January 5, 2024.

9.3 These are overdue placements and full provision has been made against these placements as at December 31, 2023.

	2023	2022
	------(Rupees in '000)-----	

9.4 Particulars of lending

In local currency	192,604,587	31,446,617
In foreign currencies	-	-
	<u>192,604,587</u>	<u>31,446,617</u>

9.5 Movement in provision held against lendings is as follows:

Opening balance	174,150	174,150
Reversal for the year	-	-
Closing balance	<u>174,150</u>	<u>174,150</u>

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

9.6 Securities held as collateral against lendings to financial institutions

	2023			2022		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	9,485,867	-	9,485,867	18,699,589	-	18,699,589
Pakistan Investment Bonds	182,934,847	-	182,934,847	12,563,155	-	12,563,155
Total	192,420,714	-	192,420,714	31,262,744	-	31,262,744

9.6.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 192,518 million (2022: Rs. 31,027 million).

9.7 Category of classification

	2023		2022	
	Classified lending	Provision held	Classified lending	Provision held
------(Rupees in '000)-----				
Domestic				
Loss	174,150	174,150	174,150	174,150
Total	174,150	174,150	174,150	174,150

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

10 INVESTMENTS

10.1 Investments by type:

	2023					2022				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value		
------(Rupees in '000)-----										
Held-for-trading securities										
Federal Government Securities										
Market treasury bills	23,341,720	-	7,673	23,349,393	22,269,343	-	(2,665)	22,266,678		
Pakistan investment bonds	14,665,019	-	(37,878)	14,627,141	61,942,656	-	(1,031,197)	60,911,459		
Ijarah Sukuk Bonds	5,038,531	-	(3,521)	5,035,010	-	-	-	-		
Ordinary Shares										
Listed Companies	79,317	-	(1,213)	78,104	424,708	-	(20,939)	403,769		
Available-for-sale securities										
	43,124,587	-	(34,939)	43,089,648	84,636,707	-	(1,054,801)	83,581,906		
Federal Government Securities										
Pakistan investment bonds	2,926,410,213	-	(25,322,781)	2,901,087,432	1,972,276,787	-	(27,509,276)	1,944,767,511		
Market treasury bills	954,585,428	-	2,228,157	956,813,585	828,851,708	-	(2,354,400)	826,497,308		
Ijarah sukuk	30,424,484	-	(330,520)	30,093,964	20,518,238	-	(339,589)	20,178,649		
Foreign currency debt securities	40,907,401	-	(10,174,093)	30,733,308	33,045,353	-	(18,622,514)	14,422,839		
Ordinary Shares										
Listed Companies	51,691,556	(11,638,688)	22,284,263	62,337,131	41,601,347	(10,159,936)	4,813,864	36,255,275		
Unlisted Companies	2,107,198	(448,951)	-	1,658,247	1,882,198	(427,951)	-	1,454,247		
Preference Shares										
Listed	1,448,472	(566,446)	161,771	1,043,797	1,448,472	(566,446)	209,451	1,091,477		
Unlisted	558,284	(558,284)	-	-	558,284	(279,264)	-	279,000		
Non-Government Debt Securities										
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds	53,137,456	(5,857,566)	355,100	47,634,990	52,125,171	(5,990,161)	1,047,326	47,182,336		

Note

10.12 / 10.13

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Mutual Fund Units	2,219,646	(41,167)	1,726,825	3,905,304	2,219,646	(41,167)	941,952	3,120,431
Foreign Securities								
Equity securities - Listed	463,294	-	42,171,551	42,634,845	463,294	-	34,380,951	34,844,245
Foreign Government debt securities	3,385,022	-	8,528	3,393,550	1,914,312	-	(30,369)	1,883,953
	4,067,338,454	(19,111,102)	33,108,801	4,081,336,153	2,956,904,810	(17,464,945)	(7,462,594)	2,931,977,271
Held-to-maturity securities								
Federal Government Securities								
Pakistan investment bonds	213,116,482	-	-	213,116,482	375,236,903	-	-	375,236,903
Market treasury bills	-	-	-	-	29,376,461	-	-	29,376,461
Ijarah sukuk	14,087,500	-	-	14,087,500	13,130,709	-	-	13,130,709
Foreign currency debt securities	4,288,988	-	-	4,288,988	2,992,408	-	-	2,992,408
Non-Government Debt Securities								
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds	404,585	(404,585)	-	-	404,585	(404,585)	-	-
Foreign Securities								
Foreign Government debt securities	41,295,981	-	-	41,295,981	36,096,507	-	-	36,096,507
Non-Government Debt Securities	1,083	-	-	1,083	871	-	-	871
	273,194,619	(404,585)	-	272,790,034	457,238,444	(404,585)	-	456,833,859
Associates								
	4,926,048	(2,755,128)	-	2,170,920	4,926,048	(3,942,498)	-	983,550
Joint Venture								
	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
Subsidiaries								
	2,952,967	(1,338,112)	-	1,614,855	2,952,967	(1,338,112)	-	1,614,855
Total investments	4,393,899,108	(23,608,927)	33,073,862	4,403,364,043	3,509,021,409	(23,150,140)	(8,517,395)	3,477,353,874

Note

(Rupees in '000)

10.6

10.5.1

10.8/10.14

10.11

10.2.4

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
10.2 Investments by segments:								
Federal Government Securities								
Market Treasury Bills	977,927,148	-	2,235,830	980,162,978	880,497,512	-	(2,357,065)	878,140,447
Pakistan Investment Bonds	3,154,191,714	-	(25,360,659)	3,128,831,055	2,409,456,346	-	(28,540,473)	2,380,915,873
Ijarah Sukuks	49,550,515	-	(334,041)	49,216,474	33,648,947	-	(339,589)	33,309,358
Foreign currency debt securities	45,196,389	-	(10,174,093)	35,022,296	36,037,761	-	(18,622,514)	17,415,247
	4,226,865,766	-	(33,632,963)	4,193,232,803	3,359,640,566	-	(49,659,641)	3,309,780,925
Shares								
Listed Companies	51,770,873	(11,638,688)	22,283,050	62,415,235	42,026,055	(10,159,936)	4,792,925	36,659,044
Unlisted Companies	2,107,198	(448,951)	-	1,658,247	1,882,198	(427,951)	-	1,454,247
	53,878,071	(12,087,639)	22,283,050	64,073,482	43,908,253	(10,587,887)	4,792,925	38,113,291
Non Government Debt Securities								
Listed	14,263,085	(127,305)	301,710	14,437,490	14,940,897	(130,026)	335,083	15,145,954
Unlisted	39,278,956	(6,134,846)	53,390	33,197,500	37,588,859	(6,264,720)	712,243	32,036,382
	53,542,041	(6,262,151)	355,100	47,634,990	52,529,756	(6,394,746)	1,047,326	47,182,336
Foreign Securities								
Foreign Government debt securities	44,681,003	-	8,528	44,689,531	38,010,819	-	(30,359)	37,980,460
Equity securities - Listed	463,294	-	42,171,551	42,634,845	463,294	-	34,380,951	34,844,245
Non-Government Debt Securities	1,083	-	-	1,083	871	-	-	871
	45,145,380	-	42,180,079	87,325,459	38,474,984	-	34,350,592	72,825,576
Preference shares								
Listed Companies	1,448,472	(566,446)	161,771	1,043,797	1,448,472	(566,446)	209,451	1,091,477
Unlisted Companies	558,284	(558,284)	-	-	558,284	(279,284)	-	279,000
	2,219,646	(41,167)	1,726,825	3,905,304	2,219,646	(41,167)	941,952	3,120,431
Mutual Fund Units								
Associates								
- Listed								
First Credit and Investment Bank Limited	157,431	(30,428)	-	127,003	157,431	(47,429)	-	110,002
Land Mark Spinning Mills Limited	39,710	(39,710)	-	-	39,710	(39,710)	-	-
S.G. Allied Business Limited	218,535	(218,535)	-	-	218,535	(218,535)	-	-
Nina Industries Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-
NBP Stock Fund	600,000	-	-	600,000	600,000	(191,856)	-	408,144
Agritech Limited	3,665,605	(2,221,688)	-	1,443,917	3,665,605	(3,200,201)	-	465,404
	4,730,341	(2,559,421)	-	2,170,920	4,730,341	(3,746,791)	-	983,550

Note

(Rupees in '000)

10.12 / 10.13

10.6

10.9

10.14

10.7

10.8

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023			2022				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	50,563	(50,563)	-	-	50,563	(50,563)	-	-
	6,500	(6,500)	-	-	6,500	(6,500)	-	-
	32,105	(32,105)	-	-	32,105	(32,105)	-	-
	106,539	(106,539)	-	-	106,539	(106,539)	-	-
	195,707	(195,707)	-	-	195,707	(195,707)	-	-
	4,926,048	(2,755,128)	-	2,170,920	4,926,048	(3,942,498)	-	983,550
	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
	2,185,644	(1,181,867)	-	1,003,777	2,185,644	(1,181,867)	-	1,003,777
	300,000	-	-	300,000	300,000	-	-	300,000
	105,000	(105,000)	-	-	105,000	(105,000)	-	-
	24,725	-	-	24,725	24,725	-	-	24,725
	1,245	(1,245)	-	-	1,245	(1,245)	-	-
	336,353	(50,000)	-	286,353	336,353	(50,000)	-	286,353
	2,952,967	(1,338,112)	-	1,614,855	2,952,967	(1,338,112)	-	1,614,855
	4,393,899,108	(23,608,927)	33,073,862	4,403,364,043	3,509,021,409	(23,150,140)	(8,517,395)	3,477,353,874

Note

(Rupees in '000)

- Unlisted

Pakistan Emerging Venture Limited
National Fructose Company Limited
Dadabhoy Energy Supply Company Limited
Pakistan Mercantile Exchange Limited

10.10

Joint Venture

United National Bank Limited

10.11

Subsidiaries

CJSC Subsidiary Bank of NBP in Kazakhstan
NBP Exchange Company Limited
NBP Modaraba Management Company Limited
Taurus Securities Limited
Cast-N-Link Products Limited
NBP Funds Management Limited

10.2.1 Investments given as collateral

The book value of investments given as collateral against borrowings is as follows:

	2023	2022
Pakistan Investment Bonds	2,047,337,847	1,136,497,472
Market Treasury Bills	17,134,259	689,709,291
	2,064,472,106	1,826,206,763

(Rupees in '000)

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
----- (Rupees in '000) -----									
10.2.2 Associates									
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2023	1,851,310	1,127,397	279,322	12,994	8,750
National Fibres Limited*	17,030,231	20.19	Pakistan	N/A	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2023	131,498	254,116	-	(12,327)	(12,327)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2022	1,233,803	552,420	14,247	(10,794)	(9,407)
Nina Industries Limited	4,906,000	20.27	Pakistan	N/A	-	-	-	-	-
Agriotech Limited	106,014,565	27.01	Pakistan	December 31, 2022	81,470,499	69,486,319	17,296,183	(2,953,326)	8,228,387
NBP Stock Fund	31,347,444	4.236	Pakistan	June 30, 2023	10,286,565	120,651	240,054	(333,261)	(333,261)
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2022	478	404	56	(385)	(385)
National Fructose Company Limited	1,300,000	39.5	Pakistan	N/A	-	-	-	-	-
Venture Capital Fund Management*	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited*	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited*	37,500	32.05	Pakistan	N/A	-	-	-	-	-
Tharparkar Sugar Mills Limited*	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society*	644,508	25	Pakistan	N/A	-	-	-	-	-
Dadabhoj Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited*	5,000	20	Pakistan	N/A	-	-	-	-	-
New Pak Limited*	200,000	20	Pakistan	N/A	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2023	4,769,315	4,463,439	676,898	199,485	199,485
Prudential Fund Management Limited*	150,000	20	Pakistan	N/A	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45	United Kingdom	December 31, 2022	219,715,668	199,381,061	6,133,623	1,148,072	(1,110,841)

*Nil figure represent shares which have been acquired under different arrangements without any cost

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
10.2.4 Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan	8,650	100	Kazakhstan	December 31, 2022	2,169,879	9,777	189,054	115,896	345,555
NBP Exchange Company Limited	99,999,999	100	Pakistan	December 31, 2022	2,042,908	239,785	873,450	439,481	439,481
NBP Modaraba Management Company Limited	10,500,000	100	Pakistan	December 31, 2022	110,915	101,277	12,121	3,452	3,452
Taurus Securities Limited	7,875,002	58.32	Pakistan	December 31, 2022	1,302,004	1,001,412	124,947	(8,294)	(13,206)
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-
NBP Fund Management Limited	13,499,996	54	Pakistan	June 30, 2023	3,238,750	1,933,438	1,867,827	408,333	407,586
N/A: Not available									

	2023	2022
10.3 Provision for diminution in value of investments		
Opening balance	23,150,140	18,486,879
Charge / (reversals)	2,157,756	4,662,589
Charge for the year	(1,319,964)	(670,409)
Reversals for the year	(379,005)	(179,661)
Reversal on disposals	458,787	3,812,519
Transfers - net	-	850,742
Closing balance	23,608,927	23,150,140

	2023		2022	
	NPI	Provision	NPI	Provision
10.3.1 Particulars of provision against debt securities				
Category of classification				
Domestic				
Loss	6,262,151	6,262,151	6,525,731	6,394,746
Total	6,262,151	6,262,151	6,525,731	6,394,746

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2023	2022
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------(Rupees in '000)-----

10.4 Quality of available for sale securities

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

Federal government securities - government guaranteed

Market treasury bills	954,585,428	828,851,708
Pakistan investment bonds	2,926,410,213	1,972,276,787
Ijarah sukuks	30,424,484	20,518,238
Foreign currency debt securities	40,907,401	33,045,353
Cost	3,952,327,526	2,854,692,086

Shares

Listed companies sector - wise

Automobile Assembler	2,442,432	1,775,528
Automobile Parts and Accessories	1,067,760	1,115,685
Cable and Electrical Goods	418,994	384,069
Cement	3,672,159	4,249,593
Chemical	711,682	627,704
Commercial Banks	9,982,145	6,575,004
Engineering	2,149,015	1,422,047
Fertilizer	3,518,165	2,985,056
Food and Personal Care	1,606,665	1,208,649
Glass and Ceramics	64,314	64,314
Insurance	1,642,671	1,642,671
Investment Banks / Investment companies / Securities companies	508,688	508,688
Leasing Companies	12,594	12,594
Leather and Tanneries	45,731	214,868
Oil and Gas Exploration Companies	2,952,721	2,686,730
Oil and Gas Marketing Companies	5,707,820	5,719,991
Paper and Board	670,751	718,972
Pharmaceuticals	2,708,507	1,000,104
Power Generation and Distribution	2,893,502	3,046,397
Real Estate Investment Trust	304,025	305,972
Refinery	756,817	756,715
Sugar and Allied Industries	259,483	259,483
Synthetic and Rayon	15,499	15,499
Technology and Communication	2,408,109	1,040,079
Textile Composite	2,736,219	1,918,908
Textile Spinning	655,195	655,195
Transport	245,937	236,225
Tobacco	695,241	-
Miscellaneous	838,715	454,607
Cost	51,691,556	41,601,347

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Unlisted companies entity - wise	2023		2022	
	Cost	Breakup value	Cost	Breakup value
	------(Rupees in '000)-----			
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
Gelcaps Pakistan Limited	4,665	2,961	4,665	2,961
Pakistan Agriculture Storage Service Corporation	5,500	3,551,928	5,500	3,551,928
Al Ameen Textile	328	N/A	328	N/A
Professional Management Modaraba (Formerly Al Zamin Modarba Management (Private) Limited)	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	123	N/A	123	N/A
Arabian Sea Country Club	6,500	(7,664)	6,500	(7,664)
Atlas Power Limited	375,000	1,286,500	375,000	1,282,850
Attock Textile Mills Limited	200	N/A	200	N/A
Pakistan Mortgage Refinance Company Limited	600,000	2,156,685	600,000	1,510,050
F.T.C. Management Company Private Limited	250	43,779	250	42,759
Fauji Akbar Portia Marines Terminal Limited	321,076	609,635	321,076	593,184
Fauji Oil Terminals and Distribution Limited	10,886	183,168	10,886	130,687
First Women Bank Limited	21,100	46,319	21,100	79,733
Fortune Securities Limited	5,000	6,702	5,000	8,804
Frontier Textile Mills Limited	500	272	500	272
Gulistan Power Generation Limited	2,200	8,096	2,200	8,096
Hazara Woolen Mills Limited	200	N/A	200	N/A
Industrial Development Bank of Pakistan	107	N/A	107	N/A
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	62,264	30,346	52,988
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Khushhali Microfinance Bank Limited	225,000	178,700	-	-
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology	1,526	55,574	1,526	64,687
National Investment Trust Limited	100	700,276	100	910,231
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410
Pakistan Tourism Development Corporation	100	138	100	138
People Steel Mills Limited	3,276	N/A	3,276	N/A

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023		2022	
	Cost	Breakup value	Cost	Breakup value
------(Rupees in '000)-----				
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,955	107,895	16,955	107,895
Refrigerator Manufacturing Company Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,430,921	132,888	1,089,730
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(139,326)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Industries	2	N/A	2	N/A
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A
Zulsham Engineering Works Limited	330	N/A	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Pvt) Limited	50,000	428,290	50,000	428,290
Pakistan Corporate Restructuring Company Limited	96,000	N/A	96,000	N/A
Pakvitae (Private) Limited	21,000	-	21,000	N/A
	2,107,198		1,882,198	

N/A: Not available

	2023	2022
	------(Rupees in '000)-----	
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	7,510,782	8,010,870
- A+, A, A-	625,000	800,000
- Unrated	6,127,303	6,130,027
Cost	14,263,085	14,940,897
Unlisted		
- AAA, AAA+	18,395,305	18,927,154
- AA+, AA, AA-	4,693,580	5,151,626
- A+, A, A-	1,838,372	2,147,091
- BBB+, BBB, BBB-	299,760	299,760
- Unrated	13,647,354	10,658,643
Cost	38,874,371	37,184,274

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Foreign Securities

Foreign Government Debt Securities	2023		2022	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
USA	3,385,022	AA+	1,914,312	AA+
			2023	2022
			------(Rupees in '000)-----	

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

Federal Government Securities - Government guaranteed

Market Treasury Bills	-	29,376,461
Pakistan Investment Bonds	213,116,482	375,236,903
Ijarah sukuks	14,087,500	13,130,709
Foreign currency debt securities	4,288,988	2,992,408
Cost	231,492,970	420,736,481

Non Government Debt Securities

Unlisted

- Unrated

Cost	404,585	404,585
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Foreign Securities

Foreign Government Debt Securities	2023		2022	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
Azerbaijan	1,028,843	BB+	826,514	BB+
Bangladesh	35,789,601	BB-	31,087,653	BB-
Kyrgyzstan	274,586	B3	814,349	B3
Kingdom of Saudi Arabia	4,202,951	A+	3,367,991	A+
	41,295,981		36,096,507	

2023	2022
------(Rupees in '000)-----	

Non Government Debt Securities

Listed

- Unrated - Cost

1,083	871
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10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Rs. 251,842 million (2022: Rs. 435,745 million).

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

The Bank holds 30,333,333 (2022: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2022: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is bb+ with short term and long term Issuer Default Rating (IDR) at F2 and A- respectively by Fitch Rating Agency.

10.7 Out of 106,014,565 shares, 94,273,510 shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share.

10.8 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 2,979 million (2022: Rs. 1,742 million).

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

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

	Year / Period ended	Break-up value Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2022	25
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2023	103,931

	2023	2022
Note	------(Rupees in '000)-----	

10.11 Investments in joint venture

United National Bank Limited (UNBL)
(Incorporated in United Kingdom)

10.11.1	2,362,433	2,362,433
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10.11.1 Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

10.12 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and shares of Pakistan Engineering Company (135,242 shares). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2023 amounts to Rs. 8,186 million. These shares have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization and can not be sold without concurrence of privatization commission.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

10.13 The investments also include 31,665,000 shares of Pakistan Reinsurance Company Limited. The cost of these shares amounts to Rs. 220 million and market value as at December 31, 2023 amounts to Rs. 244 million. These shares can not be sold without concurrence of privatization commission.

10.14 The investments also include 20,000,000 shares of First Credit and Investment Bank. The cost of these shares amounts to Rs. 157 million and market value as at December 31, 2023 amounts to Rs. 127 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

11. ADVANCES

Performing		Non Performing		Total	
2023	2022	2023	2022	2023	2022

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

Loans, cash credits, running finances, etc.	1,325,183,535	1,168,258,464	205,630,719	190,545,941	1,530,814,254	1,358,804,405
Islamic financing and related assets	73,125,444	46,381,315	1,550,351	654,980	74,675,795	47,036,295
Net investment in finance lease	16,207	35,384	-	-	16,207	35,384
Bills discounted and purchased	12,534,791	18,598,616	13,644,646	14,106,504	26,179,437	32,705,120
Advances - gross	1,410,859,977	1,233,273,779	220,825,716	205,307,425	1,631,685,693	1,438,581,204
Provision against advances						
- Specific	-	-	203,570,752	190,710,861	203,570,752	190,710,861
- General	30,038,121	17,348,539	-	-	30,038,121	17,348,539
	30,038,121	17,348,539	203,570,752	190,710,861	233,608,873	208,059,400
Advances - net of provision	1,380,821,856	1,215,925,240	17,254,964	14,596,564	1,398,076,820	1,230,521,804

11.1 Net investment in finance lease

2023				2022			
Not later than one year	Later than one and upto five years	Over five years	Total	Not later than one year	Later than one and upto five years	Over five years	Total

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

Lease rentals receivable	2,304	-	-	2,304	1,312	-	-	1,312
Residual value	14,064	-	-	14,064	34,237	-	-	34,237
Minimum lease payments	16,368	-	-	16,368	35,549	-	-	35,549
Less: Financial charges for future periods	161	-	-	161	165	-	-	165
Present value of minimum lease payments	16,207	-	-	16,207	35,384	-	-	35,384

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favor of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (2022: 10.19% to 14.85%) per annum.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	------(Rupees in '000)-----	
11.2 Particulars of advances (Gross)		
In local currency	1,334,480,999	1,264,362,705
In foreign currencies	297,204,695	174,228,499
	<u>1,631,685,694</u>	<u>1,438,581,204</u>

11.3 Advances include Rs. 220,826 million (2022: 205,307 million) which have been placed under non-performing status as detailed below:

Category of Classification	2023		2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	2,156,275	60,035	1,780,995	73,114
Substandard	6,421,005	1,560,252	5,888,114	1,439,916
Doubtful	11,443,314	5,980,028	8,834,066	4,645,364
Loss	136,013,278	133,633,669	135,077,580	132,802,811
	156,033,872	141,233,984	151,580,755	138,961,205
Overseas				
Not past due but impaired				
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	400,925	200,463	331,133	165,566
365 days	64,390,919	62,136,305	53,395,537	51,584,090
	64,791,844	62,336,768	53,726,670	51,749,656
Total	<u>220,825,716</u>	<u>203,570,752</u>	<u>205,307,425</u>	<u>190,710,861</u>

11.4 Particulars of provision against advances

Note	2023			2022		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	190,710,861	17,348,539	208,059,400	179,311,722	12,472,591	191,784,313
Exchange adjustments	12,148,129	153,606	12,301,735	8,339,198	107,952	8,447,150
Charge for the year	8,127,265	14,854,298	22,981,563	5,227,343	9,553,101	14,780,444
Reversals	(8,063,994)	(1,530,934)	(9,594,928)	(4,963,631)	(1,757,105)	(6,720,736)
	63,271	13,323,364	13,386,635	263,712	7,795,996	8,059,708
Amounts written off	(94,290)	-	(94,290)	(175,513)	-	(175,513)
Amounts charged off- agriculture financing	(44,607)	-	(44,607)	(56,258)	-	(56,258)
Transfer from general to specific provision	787,388	(787,388)	-	3,028,000	(3,028,000)	-
Closing balance	<u>203,570,752</u>	<u>30,038,121</u>	<u>233,608,873</u>	<u>190,710,861</u>	<u>17,348,539</u>	<u>208,059,400</u>

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

11.4.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
In local currency	141,233,984	29,767,923	171,001,907	138,961,205	16,741,242	155,702,447
In foreign currencies	62,336,768	270,198	62,606,966	51,749,656	607,297	52,356,953
	203,570,752	30,038,121	233,608,873	190,710,861	17,348,539	208,059,400

11.4.1.1 General provision includes provision amounting to Rs. 4,987 million (2022: Rs. 5,211 million) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 270 million (2022: Rs. 607 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Bank operates.

Keeping in view the portfolio assessment and the estimated impact of adoption of IFRS 9, the Bank has also maintained a general provision of Rs. 24,781 million (2022: Rs. 11,530 million) against underperforming portfolio on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2023. No provision is required against these loans; however, mark-up is being suspended as required by the Prudential Regulations.

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

11.5 Particulars of write-offs

	Note	2023	2022
		------(Rupees in '000)-----	
11.5.1 Against provisions	11.5.2	94,290	169,175
11.5.2 Write-offs of Rs. 500,000 and above			
- Domestic		41,087	128,797
- Overseas		8,219	-
Write-offs of below Rs. 500,000	11.6	49,306	128,797
Total Write offs		94,290	169,175
Total Reversals		-	6,338

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2023 is given in Annexure-I to the unconsolidated financial statements (except where such disclosure is restricted by overseas regulatory authorities).

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

12. FIXED ASSETS

Capital work-in-progress
Property and equipment

12.1 Capital work-in-progress

Civil works
Equipment
Advances to suppliers and contractors
Software implementation in progress

12.2 Property and equipment

	2023	2022
	(Rupees in '000)	
	1,623,424	1,080,087
	55,350,993	56,025,755
	<u>56,974,417</u>	<u>57,105,842</u>
	1,553,964	1,010,529
	10,727	10,825
	58,733	58,733
	<u>-</u>	<u>-</u>
	<u>1,623,424</u>	<u>1,080,087</u>

Note

12.1
12.2

	2023							Assets held under finance lease - vehicles	Total
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment		

(Rupees in '000)

21,472,756	21,087,923	7,465,497	5,600,717	7,440,946	5,230,143	7,962,155	2,028,545	165,253	78,453,935
-	-	(1,784,985)	(1,424,821)	(5,874,872)	(4,885,776)	(7,014,159)	(1,278,315)	(165,252)	(22,428,180)
<u>21,472,756</u>	<u>21,087,923</u>	<u>5,680,512</u>	<u>4,175,896</u>	<u>1,566,074</u>	<u>344,367</u>	<u>947,996</u>	<u>750,230</u>	<u>1</u>	<u>56,025,755</u>

At January 1, 2023

Cost / revalued amount
Accumulated depreciation
Net book value

Year ended December 2023

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

21,472,756	21,087,923	5,680,512	4,175,896	1,566,074	344,367	947,996	750,230	1	56,025,755
-	-	65,247	97,784	727,024	467,203	502,393	287,290	-	2,146,941
-	-	-	17,842	-	-	-	-	-	17,842
-	-	-	(178,130)	(11,512)	(6,860)	(8,187)	(49,592)	-	(254,281)
-	-	(294,866)	(201,572)	(512,782)	(579,394)	(545,169)	(322,740)	-	(2,456,523)
-	-	-	3,750	9,045	6,859	7,187	27,691	-	54,532
-	-	-	54,303	13,269	32,160	8,990	1,670	-	110,392
-	-	-	-	(293,665)	-	-	-	-	(293,665)
<u>21,472,756</u>	<u>21,087,923</u>	<u>5,450,893</u>	<u>3,969,873</u>	<u>1,497,453</u>	<u>264,335</u>	<u>913,210</u>	<u>694,549</u>	<u>1</u>	<u>55,350,993</u>

At December 31, 2023

Cost / revalued amount
Accumulated depreciation
Net book value

21,472,756	21,087,923	7,530,744	5,592,516	7,876,062	5,722,646	8,465,351	2,267,913	165,253	80,181,164
-	-	(2,079,851)	(1,622,643)	(6,378,609)	(5,458,311)	(7,552,141)	(1,573,364)	(165,252)	(24,830,171)
<u>21,472,756</u>	<u>21,087,923</u>	<u>5,450,893</u>	<u>3,969,873</u>	<u>1,497,453</u>	<u>264,335</u>	<u>913,210</u>	<u>694,549</u>	<u>1</u>	<u>55,350,993</u>

Rate of depreciation (percentage)

Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% - 50% on cost	20% on cost	20% on cost	20% on cost
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NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2022									
		(Rupees in '000)									
		Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
At January 1, 2022	Cost / Revalued amount	20,370,445	19,465,743	6,524,947	5,131,378	6,820,804	4,979,128	7,596,952	1,963,459	165,253	73,018,109
	Accumulated depreciation	-	-	(1,522,702)	(1,230,090)	(5,263,350)	(4,536,294)	(6,505,609)	(1,093,597)	(165,252)	(20,316,894)
	Net book value	20,370,445	19,465,743	5,002,245	3,901,288	1,557,454	442,834	1,091,343	869,862	1	52,701,215
Year ended December 2022	Opening net book value	20,370,445	19,465,743	5,002,245	3,901,288	1,557,454	442,834	1,091,343	869,862	1	52,701,215
	Additions	-	-	192,827	333,935	635,155	258,220	311,633	235,796	-	1,967,566
	Movement in surplus on assets revalued	1,110,306	1,622,180	791,946	167,353	(18,664)	(7,205)	(7,952)	(173,354)	-	3,691,785
	Disposals	-	-	-	-	(626,948)	(356,687)	(516,449)	(309,890)	-	(2,266,987)
	Depreciation charge	-	-	(262,282)	(194,731)	15,425	7,205	7,899	125,172	-	155,701
	Depreciation adjustment - disposal	-	-	-	-	(11,024)	-	3,611	2,644	-	(1,118)
	Exchange rate adjustments	-	-	(44,223)	(20,925)	-	-	57,911	-	-	(15,232)
	Other adjustments / transfers	(7,995)	-	-	-	-	-	-	-	-	-
	Closing net book value	21,472,756	21,087,923	5,680,513	4,175,896	1,566,073	344,367	947,996	750,230	1	56,025,755
At December 31, 2022	Cost / Revalued amount	21,472,756	21,087,923	7,465,497	5,600,717	7,440,946	5,230,143	7,962,155	2,028,545	165,253	78,453,935
	Accumulated depreciation	-	-	(1,784,985)	(1,424,821)	(5,874,872)	(4,885,776)	(7,014,159)	(1,278,315)	(165,252)	(22,428,180)
	Net book value	21,472,756	21,087,923	5,680,512	4,175,896	1,566,074	344,367	947,996	750,230	1	56,025,755
	Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% - 50% on cost	20% on cost	20% on cost	
12.2.1	Revaluation of Properties	The properties of the Bank have been revalued by the independent professional valuer as at December 31, 2022. The revaluation was carried out by an independent professional valuer, RBS Associates (Private) Limited (PBA registered valuer) on the basis of professional assessment of present market values. The total surplus against revaluation of fixed assets as at December 31, 2023, amounts to Rs. 47,396 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2023, would have been as follows:									
		2023		2022							
	Freehold land	1,132,637	1,132,637	890,025	890,025						
	Leasehold land	1,076,598	1,076,598	2,006,052	1,013,440						
	Building on freehold land	5,105,312	5,105,312	5,583,785	4,946,031						
	Building on leasehold land	2,232,841	2,232,841	3,640,626	3,260,800						
	Carrying amount of temporarily idle property of the Bank	2,390,782	2,390,782	1,417,915	1,316,496						
	The cost of fully depreciated assets still in use	10,682,164	10,682,164	9,858,301	9,858,301						
	Furniture and fixtures										
	Electrical and office equipment										
	Computer and peripheral equipment										
	Vehicles										

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12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties (Employees / Ex-Employees) are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
----- (Rupees in '000) -----							
Vehicles	1,824	152	365	213	As per Entitlement	Employee	Mr.Riaz Mahmood
Vehicles	1,824	334	365	31	As per Entitlement	Employee	Mr.Mobashir Nabi
Vehicles	1,824	152	365	213	As per Entitlement	Employee	Ms.Nadia Ahmer
Vehicles	2,029	203	203	-	As per Entitlement	Employee	Mr.Jalil Ahmed Tariq
Vehicles	2,229	706	706	-	As per Entitlement	Ex-Employee	Mr.Javed Haider
Vehicles	2,695	1,752	1,752	-	As per Entitlement	Ex-Employee	Mr.Sohail Akhtar Arbab
Vehicles	2,623	1,792	1,792	-	As per Entitlement	Employee	Mr.Saeed Ahmed Shah
Vehicles	8,908	5,048	5,048	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Vehicles	1,824	30	182	152	As per Entitlement	Ex-Employee	Mr.Naveed Sultan
Vehicles	2,623	1,749	1,749	-	As per Entitlement	Employee	Mr. Manzoor Ahmed
Vehicles	2,675	1,516	1,516	-	As per Entitlement	Employee	Mr.Muhammad Zaman Khan
Vehicles	2,380	793	793	-	As per Entitlement	Employee	Mr.Abdul Majid Sheikh
Vehicles	2,723	1,452	1,452	-	As per Entitlement	Employee	Mr.Noor Ul Islam
Vehicles	2,525	800	800	-	As per Entitlement	Employee	Mr.Abdul Jamal Tariq
Vehicles	2,723	1,498	1,498	-	As per Entitlement	Employee	Mr.Mumtaz Ahmed Farooq
Vehicles	2,723	1,271	1,271	-	As per Entitlement	Employee	Mr.Nasir Khan
Vehicles	2,525	842	842	-	As per Entitlement	Employee	Mr.Mubashir Ahmed
Vehicles	2,775	1,711	1,711	-	As per Entitlement	Employee	Mr.Moeen-Ud-Din
	<u>49,452</u>	<u>21,801</u>	<u>22,410</u>	<u>609</u>			
Computer and peripheral equipment	101	-	10	10	As per Entitlement	Employee	Mr.Javed Ashraf
Computer and peripheral equipment	100	-	10	10	As per Entitlement	Employee	Mr.Agha Abdul Hakeem
Computer and peripheral equipment	115	-	12	12	As per Entitlement	Employee	Ms.Hina Saleem
Computer and peripheral equipment	111	-	11	11	As per Entitlement	Employee	Mr.Khalid Ahmed
Computer and peripheral equipment	122	-	12	12	As per Entitlement	Employee	Mr.Zeeshan Siddiqui
Computer and peripheral equipment	127	-	13	13	As per Entitlement	Employee	Mr.Azmat Zuberi
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Mr.Muhammad Adeel Khan
Computer and peripheral equipment	112	-	11	11	As per Entitlement	Employee	Mr.Murshid Ali Khan
Computer and peripheral equipment	268	-	27	27	As per Entitlement	Employee	Mr.Amin Manji
Computer and peripheral equipment	121	-	12	12	As per Entitlement	Employee	Mr.Vinod Kumar
Computer and peripheral equipment	127	-	13	13	As per Entitlement	Employee	Mr.Maqqsood Ahmed Siddiqui
Computer and peripheral equipment	126	-	13	13	As per Entitlement	Employee	Mr.Raheel Iqbal
Computer and peripheral equipment	109	-	11	11	As per Entitlement	Employee	Ms.Sana Aslam
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Mr.Aijaz Hyder Shaikh
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Mr.Sabghatullah Shaikh
Computer and peripheral equipment	224	-	22	22	As per Entitlement	Employee	Mr.Abdul Wahid Sethi
Computer and peripheral equipment	127	-	13	13	As per Entitlement	Employee	Mr.Amer Nasrullah
Computer and peripheral equipment	118	-	12	12	As per Entitlement	Employee	Mr.Hamid Hassan
Computer and peripheral equipment	118	-	12	12	As per Entitlement	Employee	Mr.Umair Asghar Khan
Computer and peripheral equipment	140	-	14	14	As per Entitlement	Employee	Mr.Asif Khan
Computer and peripheral equipment	124	-	12	12	As per Entitlement	Employee	Mr.Waqee Siddiqui
Computer and peripheral equipment	125	-	13	13	As per Entitlement	Employee	Mr.Wajahat Aziz Qureshi
Computer and peripheral equipment	122	-	12	12	As per Entitlement	Employee	Mr.Tahir Abbas
Computer and peripheral equipment	122	-	12	12	As per Entitlement	Employee	Mr.Ehtisham Rashid
Computer and peripheral equipment	128	-	13	13	As per Entitlement	Employee	Mr.Abdul Waheed Sabir
Computer and peripheral equipment	121	-	12	12	As per Entitlement	Employee	Ms.Sapna
Computer and peripheral equipment	120	-	12	12	As per Entitlement	Employee	Mr.Faisal Khan
Computer and peripheral equipment	112	-	11	11	As per Entitlement	Employee	Ms.Ramsha Areeb
Computer and peripheral equipment	118	-	12	12	As per Entitlement	Employee	Mr.Zubair Ahmed
Computer and peripheral equipment	128	-	13	13	As per Entitlement	Employee	Ms.Amber Saim
Computer and peripheral equipment	134	-	13	13	As per Entitlement	Employee	Mr.Shoaib Qaisarani
Computer and peripheral equipment	113	-	11	11	As per Entitlement	Employee	Ms.Fouzia Nawaz Baloch
Computer and peripheral equipment	120	-	12	12	As per Entitlement	Employee	Mr.Arif
Computer and peripheral equipment	115	-	11	11	As per Entitlement	Employee	Mr.Nauman Ahmed

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Computer and peripheral equipment	118	-	12	12	As per Entitlement	Employee	Mr.Amir Khan
Computer and peripheral equipment	121	-	12	12	As per Entitlement	Employee	Mr.Khurram Jafri
Computer and peripheral equipment	159	-	16	16	As per Entitlement	Employee	Mr.Sufyan Islam
Computer and peripheral equipment	112	-	11	11	As per Entitlement	Employee	Mr.Muhammad Ahmer
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Computer and peripheral equipment	192	-	19	19	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Computer and peripheral equipment	145	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Computer and peripheral equipment	140	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Computer and peripheral equipment	227	-	23	23	As per Entitlement	Ex-Employee	Ms.Asma Shaikh
Computer and peripheral equipment	128	-	13	13	As per Entitlement	Employee	Mr. Syed Arshad Ali
Computer and peripheral equipment	96	-	10	10	As per Entitlement	Ex-Employee	Mr. Syed Jamal Baqaur
Computer and peripheral equipment	102	-	10	10	As per Entitlement	Ex-Employee	Ms.Saima Abdul Rashid
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Ex-Employee	Mr.S Shoaib Ur Rehman
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Ex-Employee	Mr.Muhammad Mubashir Ahmed
Computer and peripheral equipment	96	-	10	10	As per Entitlement	Ex-Employee	Mr.Mumtaz A Farooq
Computer and peripheral equipment	100	-	10	10	As per Entitlement	Ex-Employee	Mr.Muhammad Farukh Ghauri
Computer and peripheral equipment	191	-	-	-	As per Entitlement	Ex-Employee	Mr.Umair Wasti
Computer and peripheral equipment	131	-	13	13	As per Entitlement	Ex-Employee	Mr.Muhammad Fuad Mohsin
Computer and peripheral equipment	193	-	-	-	As per Entitlement	Ex-Employee	Mr.Nauman Riaz
	6,708	-	604	604			
Electrical & Office equipments	135	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Electrical & Office equipments	148	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Electrical & Office equipments	230	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Electrical & Office equipments	331	-	-	-	As per Entitlement	Ex-Employee	Ms Asma Shaikh
Electrical & Office equipments	306	-	-	-	As per Entitlement	Ex-Employee	Mr.Nauman Riaz
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Ms.Saima Abdul Rashid
Electrical & Office equipments	114	-	-	-	As per Entitlement	Ex-Employee	Mr.Jamal Baqaur
Electrical & Office equipments	288	-	-	-	As per Entitlement	Ex-Employee	Mr.Jamal Baqaur
Electrical & Office equipments	70	-	-	-	As per Entitlement	Ex-Employee	Mr.Ali Mansoor
Electrical & Office equipments	265	-	-	-	As per Entitlement	Ex-Employee	Mr.Umair Wasti
Electrical & Office equipments	40	-	-	-	As per Entitlement	Ex-Employee	Mr. Muhammad Fuad Mohsin
Electrical & Office equipments	42	-	-	-	As per Entitlement	Ex-Employee	Mr.Muhammad Fuad Mohsin
Electrical & Office equipments	800	573	573	-	As per Entitlement	Ex-Employee	Mr.Jamal Baqaur
Electrical & Office equipments	800	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Electrical & Office equipments	800	427	427	-	As per Entitlement	Ex-Employee	Mr.Ali Mansoor
	4,419	1,000	1,000	-			
Furniture and fixture	225	37	37	-	As per Entitlement	Ex-Employee	Mr.Naveed Sultan
Furniture and fixture	160	15	15	-	As per Entitlement	Ex-Employee	Mr.Muhammad Yahya
Furniture and fixture	330	19	19	-	As per Entitlement	Ex-Employee	Mr.Javed Haider
Furniture and fixture	160	18	18	-	As per Entitlement	Ex-Employee	Mr.Manzoor Hussain Niza
Furniture and fixture	160	33	33	-	As per Entitlement	Ex-Employee	Mr.Syed Amjad Hussain Bukhari
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Ms.Sumbul Akhter
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Ms.Samreen Zehra
Furniture and fixture	160	1	1	-	As per Entitlement	Ex-Employee	Mr.Ahmed Kashif Khan
Furniture and fixture	160	53	53	-	As per Entitlement	Ex-Employee	Mr.Muhammad Akbar
Furniture and fixture	160	16	16	-	As per Entitlement	Ex-Employee	Mr.Rafiq Ahmed
Furniture and fixture	160	41	41	-	As per Entitlement	Ex-Employee	Mr.Asghar Hameed
Furniture and fixture	160	60	60	-	As per Entitlement	Ex-Employee	Mr.Muhammad Najeeb Hassan
Furniture and fixture	160	49	49	-	As per Entitlement	Ex-Employee	Mr.Muhammad Akram Khan
Furniture and fixture	190	48	48	-	As per Entitlement	Ex-Employee	Mr.Muhammad Yousuf Raza
Furniture and fixture	190	18	18	-	As per Entitlement	Ex-Employee	Mr. Syed Taha Tanveer Ali
Furniture and fixture	160	63	63	-	As per Entitlement	Ex-Employee	Mr.Late Amjad
Furniture and fixture	160	1	1	-	As per Entitlement	Ex-Employee	Mr.Aftab Azeem
Furniture and fixture	225	62	62	-	As per Entitlement	Ex-Employee	Mr.Saeed Ahmed Shah
Furniture and fixture	160	144	144	-	As per Entitlement	Ex-Employee	Mr.Naem Hassan
Furniture and fixture	200	127	127	-	As per Entitlement	Ex-Employee	Mr.Syed Murtaza Shah

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Furniture and fixture	200	107	107	-	As per Entitlement	Ex-Employee	Mr.Imtiaz Ahmed Shaikh
Furniture and fixture	190	63	63	-	As per Entitlement	Ex-Employee	Mr.Amanullah
Furniture and fixture	160	5	5	-	As per Entitlement	Ex-Employee	Mr.Aamir Rizwan
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Shahadat Hussain
Furniture and fixture	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Masihullah
Furniture and fixture	190	38	38	-	As per Entitlement	Ex-Employee	Mr.Arshad Rizwan
Furniture and fixture	335	89	89	-	As per Entitlement	Ex-Employee	Mr.Dr.Jalil Ahmad Tariq
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Sakhi Jan Khattak
Furniture and fixture	190	22	22	-	As per Entitlement	Ex-Employee	Mr.Mansoor Ahmad
Furniture and fixture	160	43	43	-	As per Entitlement	Ex-Employee	Mr.Abdul Hafeez Sehto
Furniture and fixture	190	93	93	-	As per Entitlement	Ex-Employee	Mr.Muhammad Ayub
Furniture and fixture	160	32	32	-	As per Entitlement	Ex-Employee	Mr.Tariq Majeed Malkana
Furniture and fixture	160	27	27	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sharif
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Mr.Mir Faiz Hussain Talpur
Furniture and fixture	160	29	29	-	As per Entitlement	Ex-Employee	Mr.Sobho Zardari
Furniture and fixture	200	28	28	-	As per Entitlement	Ex-Employee	Mr.Muhammad Farrukh Ghauri
Furniture and fixture	160	20	20	-	As per Entitlement	Ex-Employee	Mr.Muhammad Shoaib
Furniture and fixture	160	52	52	-	As per Entitlement	Ex-Employee	Mr.Saleh Muhammad Baloch
Furniture and fixture	160	52	52	-	As per Entitlement	Ex-Employee	Mr. Syed Wajid Ali
Furniture and fixture	335	104	104	-	As per Entitlement	Ex-Employee	Mr.Muhammad Zaman Khan
Furniture and fixture	160	47	47	-	As per Entitlement	Ex-Employee	Mr.Amjad Masood
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Abdul Majid Sheikh
Furniture and fixture	200	63	63	-	As per Entitlement	Ex-Employee	Mr.Noor Ul Islam
Furniture and fixture	175	-	-	-	As per Entitlement	Ex-Employee	Mr.Abdul Jamal Tariq Hassan
Furniture and fixture	200	53	53	-	As per Entitlement	Ex-Employee	Mr.Muhammad Mumtaz Ahmed Farooq
Furniture and fixture	160	25	25	-	As per Entitlement	Ex-Employee	Mr.Ishrat Bokhari
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	Mr.Mansoor Ahmed
Furniture and fixture	190	33	33	-	As per Entitlement	Ex-Employee	Mr.Ashraf Ali Abbasi
Furniture and fixture	200	27	27	-	As per Entitlement	Ex-Employee	Mr.Nasir Khan
Furniture and fixture	175	6	6	-	As per Entitlement	Ex-Employee	Mr.Rao Naeem Ahmed
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Gohar Abbas
Furniture and fixture	190	41	41	-	As per Entitlement	Ex-Employee	Mr.Muhamamd Nabi
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Zafar Irshad
Furniture and fixture	200	45	45	-	As per Entitlement	Ex-Employee	Mr.Shamim Ul Hassan Waheed
Furniture and fixture	160	43	43	-	As per Entitlement	Ex-Employee	Mr.Muhammad Yousaf
Furniture and fixture	200	55	55	-	As per Entitlement	Ex-Employee	Mr.Manzoor Ahmad
Furniture and fixture	160	32	32	-	As per Entitlement	Ex-Employee	Mr.Arshad Ali
	<u>10,290</u>	<u>2,467</u>	<u>2,467</u>	<u>-</u>			
	<u>70,869</u>	<u>25,268</u>	<u>26,481</u>	<u>1,213</u>			

13. INTANGIBLE ASSETS

Capital work-in-progress
Intangible assets

	2023	2022
Note	------(Rupees in '000)-----	
13.1	441,922	841,289
	1,068,139	547,658
	<u>1,510,061</u>	<u>1,388,947</u>

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13.1 Intangible assets	Core Banking Application	Computer software	Total
	----- (Rupees in '000) -----		
At January 1, 2023			
Cost	2,913,952	2,046,931	4,960,883
Accumulated amortisation and impairment	(2,913,952)	(1,499,273)	(4,413,225)
Net book value	-	547,658	547,658
Year ended December 2023			
Opening net book value	-	547,658	547,658
Additions:			
- through acquisitions / purchase	-	679,533	679,533
Adjustments - addition	-	29,212	29,212
Amortisation charge	-	(277,042)	(277,042)
Exchange rate adjustments	-	88,778	88,778
Closing net book value	-	1,068,139	1,068,139
At December 31, 2023			
Cost	2,913,952	2,844,454	5,758,406
Accumulated amortisation and impairment	(2,913,952)	(1,776,315)	(4,690,267)
Net book value	-	1,068,139	1,068,139
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	
Useful life	3 years	3 years	
At January 1, 2022			
Cost	2,913,952	1,678,915	4,592,867
Accumulated amortisation and impairment	(2,913,952)	(1,176,124)	(4,090,076)
Net book value	-	502,791	502,791
Year ended December 2022			
Opening net book value	-	502,791	502,791
Additions:			
- through acquisitions / purchase	-	296,497	296,497
Adjustments - additions	-	28,750	28,750
Amortisation charge	-	(323,149)	(323,149)
Exchange rate adjustments	-	42,769	42,769
Closing net book value	-	547,658	547,658
At December 31, 2022			
Cost	2,913,952	2,046,931	4,960,883
Accumulated amortisation and impairment	(2,913,952)	(1,499,273)	(4,413,225)
Net book value	-	547,658	547,658
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	
Useful life	3 years	3 years	

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For the year ended December 31, 2023

	2023	2022
	------(Rupees in '000)-----	
13.2	The cost of fully amortised intangible assets that are still in use	
Core Banking Application	2,913,952	2,913,952
Computer software	916,177	821,389
	3,830,129	3,735,341
14.	RIGHT OF USE ASSETS	
Opening balance	6,708,404	6,605,400
Additions during the year	2,239,854	2,244,669
Less: Derecognition during the year	22,813	6,618
Less: Depreciation charged for the year	1,990,974	2,135,047
Closing balance	6,934,471	6,708,404

15. DEFERRED TAX ASSETS/ (DEFERRED TAX LIABILITIES)

	At January 01, 2023	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2023
	------(Rupees in '000)-----			
Deductible temporary differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	7,352,695	-	(490,685)	6,862,010
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loans and advances	12,925,197	(2,781,685)	-	10,143,512
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	1,506,288	154,893	-	1,661,181
- Other provisions	105,416	-	-	105,416
- Right of use assets	670,604	(18,752)	-	651,852
	22,922,878	(2,645,544)	(490,685)	19,786,649
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(3,061,347)	174,426	(435,908)	(3,322,829)
- Surplus on revaluation of investments	3,208,913	-	(19,432,225)	(16,223,312)
- Surplus on revaluation of non-banking assets	(21,752)	-	(85,096)	(106,848)
- Exchange translation reserve	(749,289)	-	(104,554)	(853,843)
	(623,475)	174,426	(20,057,783)	(20,506,832)
	22,299,403	(2,471,118)	(20,548,468)	(720,183)

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	At January 01, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2022
(Rupees in 000)				
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	4,992,150	-	2,360,545	7,352,695
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loan and advances	10,457,938	2,467,259	-	12,925,197
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	1,190,369	315,919	-	1,506,288
- Other provisions	105,416	-	-	105,416
- Right of use assets	502,538	168,066	-	670,604
	17,611,089	2,951,244	2,360,545	22,922,878
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(2,537,701)	149,127	(672,773)	(3,061,347)
- Surplus on revaluation of investments	(12,715,420)	-	15,924,333	3,208,913
- Surplus on revaluation of non-banking assets	(52,732)	-	30,980	(21,752)
- Exchange translation reserve	(679,589)	-	(69,700)	(749,289)
	(15,985,442)	149,127	15,212,840	(623,475)
	1,625,647	3,100,371	17,573,385	22,299,403

16. OTHER ASSETS

	Note	2023	2022
(Rupees in '000)			
Income / return / mark-up accrued in local currency - net of provision		185,622,776	99,433,212
Income / return / mark-up accrued in foreign currency - net of provision		4,442,554	3,866,901
Advances, deposits, advance rent and other prepayments	16.1	2,848,659	2,987,346
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	920,050	10,952,064
Compensation for delayed tax refunds		22,129,925	20,809,580
Non-banking assets acquired in satisfaction of claims	16.4	1,169,898	1,179,943
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Acceptances		8,100,364	20,644,122
Commission receivable on Government treasury transactions		5,182,665	5,253,389
Stationery and stamps on hand		472,575	437,900
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	16.2	323,172	323,172
Receivable from Government under VHS scheme	16.3	418,834	418,834
Receivable against sale of shares		31,276	156,755
Receivable from SBP		24,698,013	-
Others		9,027,170	8,126,059
		265,791,753	174,993,099
Less: Provision held against other assets	16.5	12,495,413	12,244,043
Other assets (net of provision)		253,296,340	162,749,056
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	24	2,803,228	2,520,000
Other assets - total		256,099,568	165,269,056

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- 16.1** This includes Rs. 1,400 million (2022: Rs. 1,400 million) advance against Pre-IPO placement of Term Finance Certificates and REIT Fund.
- 16.2** This represents amount receivable from GoP on account of encashment of various instruments handled by the Bank for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.
- 16.3** This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	2023	2022
	------(Rupees in '000)-----	
16.4 Market value of Non-banking assets acquired in satisfaction of claims	3,973,126	3,699,943

An independent valuation of the Bank's non-banking assets was performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2023. The valuation was carried out by K.G. Traders (Pvt) Ltd. (PBA registered valuer) on the basis of an assessment of present market values.

	2023	2022
	------(Rupees in '000)-----	

16.4.1 Non-banking assets acquired in satisfaction of claims

Opening balance	3,699,943	4,059,546
Surplus / (Deficit)	283,228	(343,886)
Depreciation	(10,045)	(15,717)
Closing balance	3,973,126	3,699,943

16.5 Provision held against other assets

Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	800,000	800,000
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	4,377,337	4,297,516
Ex-MBL / NDFC	760,941	760,875
Assets acquired from Corporate and Industrial Restructuring Corporation asset (CIRC)	208,423	208,423
Others	5,162,158	4,990,675
	12,495,413	12,244,043

16.5.1 Movement in provision held against other assets

Opening balance	12,244,043	11,700,956
Charge for the year	239,045	562,955
Other movement	57,519	-
Adjustment against provision	(45,194)	(19,868)
Closing balance	12,495,413	12,244,043

- 16.6** During the year, the Bank has adjusted an amount of Rs. 9,099 million (2022: Rs. 7,475 million) against its advance tax liability and demand of previous tax year against income tax refunds receivables. Further, refunds amounting to Rs. 10,650 million (2022: 5,404 million) were also determined.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
	Note	------(Rupees in '000)-----	
17. BILLS PAYABLE			
In Pakistan		67,822,126	54,969,587
Outside Pakistan		178,322	298,432
		68,000,448	55,268,019
18. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	29,815,400	37,142,580
Financing Scheme for Renewable Energy	18.3	1,289,488	1,019,611
Refinance Facility for Modernization of SMEs	18.4	95,111	43,824
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	599,548	667,327
Under Long Term Financing Facility (LTFF)	18.6	17,197,820	20,254,808
Refinance Scheme for Payment of Wages and Salaries	18.7	-	35,950
Temporary Economic Refinance Facility	18.8	22,827,889	24,126,421
Refinance and Credit Guarantee Scheme for Women Entrepreneurs (RCWE)	18.9	29,220	-
Refinance Facility for Combating Covid-19	18.10	45,352	66,159
Export Refinance scheme for Bill Discounting	18.11	2,606,143	1,075,204
		74,505,971	84,431,884
Repurchase agreement borrowings	18.12	2,064,472,106	1,826,206,763
Bai Muajjal	18.13	-	4,036,995
Total secured		2,138,978,077	1,914,675,642
Unsecured			
Call borrowing	18.12	19,434,142	25,810,145
Overdrawn nostro accounts		19,330,975	-
Total unsecured		38,765,117	25,810,145
		2,177,743,194	1,940,485,787
18.1 Particulars of borrowings with respect to currencies			
In local currency		2,140,248,077	1,923,848,931
In foreign currencies		37,495,117	16,636,856
		2,177,743,194	1,940,485,787
18.2			

The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within 180 days. These carry mark-up at rates ranging from 13.00% to 19.00% (2022: 3.00% to 13.00%) per annum.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- 18.3** These borrowings have been obtained from the SBP for providing financing facilities to address challenges of energy shortage and climate change through promotion of renewable energy. These borrowings shall be repayable for a maximum period of twelve (12) years. These carry mark-up at rates ranging from 2.00% to 3.00% (2022: 2.00% to 3.00%) per annum.
- 18.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings shall be repayable for a maximum period of ten years and carry mark-up at rates upto 2.00% (2022: 2.00%) per annum.
- 18.5** These borrowings have been obtained from the SBP for providing financing facilities to develop the agricultural produce marketing and enhance storage capacity, to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.5% to 3.5% (2022: 2.5% to 3.5%) per annum.
- 18.6** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 4.0% to 19.0% (2022: 2.00% to 4.00%) per annum.
- 18.7** These borrowings have been obtained from the SBP with a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath of corona virus (COVID-19) outbreak. These borrowings are repayable for a maximum period of 2.5 years. These carry mark-up at rates ranging from Nil (2022: 1.00% to 2.00%) per annum.
- 18.8** These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up new industrial units in the backdrop of challenges faced by the industries during the pandemic. These borrowings are repayable for a maximum period of 10 years. These carry mark-up at a rate of 1.0% (2022: 3.00%) per annum.
- 18.9** These borrowings have been obtained from the SBP for improving access to finance for the women entrepreneurs, a refinance cum credit guarantee scheme is being launched for the women borrowers across the country. Under the scheme, refinancing will be provided by State Bank of Pakistan at 0% to participating financial institutions for onward lending to women entrepreneurs across the country at a mark-up rate of upto 5% per annum.
- 18.10** These borrowings have been obtained from the SBP with a view to provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19. The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial / federal agencies / commissions and engaged in controlling & eradication of COVID – 19. These borrowings are repayable for a maximum period of 5 years. These carry mark-up at rates at 0.00% (2022: 0.00%) per annum.
- 18.11** These borrowings have been obtained from the SBP for providing export bill discounting facilities to customers. These carry mark-up at rates ranging from 1.00% to 2.00% per annum (2022: 0.00% to 2.00% per annum) and are due to mature latest by May 7, 2024.
- 18.12** Mark-up / interest rates and other terms are as follows:
- Repurchase agreement borrowings carry mark-up ranging from 21.75% to 23% per annum (2022: 15.2% to 17% per annum) having maturity on January 2, 2024 to January 19, 2024.
 - Call borrowings carry interest ranging from 5.50% to 21.80% per annum (2022: 3% to 16.5% per annum).
- 18.13** Bai Muajjal borrowings carry mark-up rate of 0% per annum (2022: 16.42%).

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

18.15 Pakistan Investment Bonds and Market Treasury Bills having maturity of 2 - 10 Years and 3 - 12 Months respectively, are pledged as security under borrowing having carrying amount of Rs. 2,064,472 million (2022: Rs. 1,826,206 million).

19. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Customers	Note -----(Rupees in '000)-----					
Current deposits - remunerative	692,443,686	-	692,443,686	733,037,562	-	733,037,562
Current deposits - non-remunerative	656,289,463	161,079,615	817,369,078	408,169,670	159,575,493	567,745,163
Savings deposits	766,301,047	134,394,831	900,695,878	681,287,543	108,029,851	789,317,394
Term deposits	509,997,709	232,985,846	742,983,555	400,618,865	116,541,863	517,160,728
Others	13,082,003	7,182	13,089,185	9,563,715	7,855	9,571,570
	2,638,113,908	528,467,474	3,166,581,382	2,232,677,355	384,155,062	2,616,832,417
Financial Institutions						
Current deposits	459,284,217	1,386,759	460,670,976	5,964,408	3,479,121	9,443,529
Savings deposits	18,946,277	4,644,674	23,590,951	15,190,328	2,924,782	18,115,110
Term deposits	13,569,258	3,636,495	17,205,753	10,472,787	6,442,283	16,915,070
Others	6,310,317	-	6,310,317	4,878,234	-	4,878,234
	498,110,069	9,667,928	507,777,997	36,505,757	12,846,186	49,351,943
19.3	3,136,223,977	538,135,402	3,674,359,379	2,269,183,112	397,001,248	2,666,184,360

2023	2022
----- (Rupees in '000) -----	

19.1 Composition of deposits

Individuals	1,220,898,183	990,051,893
Government (Federal and Provincial)	1,255,786,576	1,101,408,344
Public Sector Entities	385,531,338	244,103,310
Banking companies	472,952,639	20,352,976
Non-Banking Financial Institutions	34,825,358	28,998,967
Private sector	304,365,285	281,268,870
	3,674,359,379	2,666,184,360

19.2 Foreign currencies deposits include deposit of foreign branches amounting to Rs. 99,316 million (2022: Rs. 75,917 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 1,013,777 million (2022: Rs. 870,538 million) including islamic branches.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	Note -----(Rupees in '000)-----	
20. LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS		
Lease liabilities included in the statement of financial position As at December 31	8,264,782	8,267,949
Of which are:		
Current lease liability	1,687,498	1,590,849
Non-current lease liability	6,577,284	6,677,100
	8,264,782	8,267,949
Maturity analysis - contractual undiscounted cash flows		
Less than one year	2,457,041	2,356,198
One to five years	6,711,336	6,557,449
More than five years	3,122,714	7,967,022
Total undiscounted lease liabilities as at December 31	12,291,091	16,880,669
21. OTHER LIABILITIES		
Mark-up / Return / Interest payable in local currency	194,548,283	126,228,969
Mark-up / Return / Interest payable in foreign currency	2,611,281	655,802
Unearned commission and income on bills discounted	101,350	252,539
Accrued expenses	13,684,726	13,865,133
Advance payments	346,109	350,895
Acceptances	8,100,364	20,644,122
Unclaimed dividends	174,284	181,851
Mark to market loss on forward foreign exchange contracts	6,676,880	125,371
Unrealised loss on put option	-	-
Branch adjustment account	1,659,214	1,916,850
Payable to defined benefit plan:		
Pension fund	39.4 22,944,893	23,063,894
Post retirement medical benefits	39.4 34,833,112	29,176,898
Benevolent scheme	39.4 1,613,699	1,697,838
Gratuity scheme	39.4 4,575,660	3,767,858
Compensated absences	39.4 9,632,176	8,734,235
Provision against off-balance sheet obligations	627,494	627,494
Provision against contingencies	21.1 4,698,118	4,170,799
Staff welfare fund	371,257	371,257
Liabilities relating to barter trade agreements	4,321,484	3,629,389
Payable to brokers	735,663	350,446
PIBs shortselling	10,241,337	11,043,029
Others	18,366,475	18,516,003
	340,863,859	269,370,672

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
21.1 Provision against contingencies	Note -----(Rupees in '000)-----	
Opening balance	4,170,799	3,805,376
Charge during the year	384,838	165,423
Other movement	142,481	200,000
Closing balance	4,698,118	4,170,799

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

22. SHARE CAPITAL

22.1 Authorized capital

2023	2022		2023	2022
----- (Number of shares) -----			----- (Rupees in '000) -----	
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	25,000,000	25,000,000

22.2 Issued, subscribed and paid up

2023	2022		2023	2022
----- (Number of shares) -----			----- (Rupees in '000) -----	
140,388,000	140,388,000	Fully paid in cash	1,403,880	1,403,880
1,987,125,026	1,987,125,026	Issued as bonus shares	19,871,251	19,871,251
2,127,513,026	2,127,513,026		21,275,131	21,275,131

The Federal Government and Pakistan Sovereign Wealth Fund (PSWF) holds 75.60% (2022: Federal Government and SBP 75.60%) shares of the Bank.

22.3 The Pakistan Sovereign Wealth Fund Act, 2023 became effective during the current period. Under the said Act, the SBP's shareholding in the Bank stands transferred to the Pakistan Sovereign Wealth Fund (PSWF).

	2023	2022
	----- (Number of shares) -----	
22.4 Shares of the Bank held by subsidiary and associate		
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	70,000	70,000
	70,000	70,000

23. RESERVES

23.1 Exchange translation reserve

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

23.2 Statutory reserve

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

23.3 Merger reserve

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

		2023	2022
24. SURPLUS ON REVALUATION OF ASSETS	Note	------(Rupees in '000)-----	
Surplus / (deficit) on revaluation of:			
- Available for sale securities	10.1	33,108,801	(7,462,594)
- Fixed assets	24.1	47,395,553	47,733,682
- Non-banking assets acquired in satisfaction of claims	24.2	2,803,228	2,520,000
		83,307,582	42,791,088
Deferred tax on (surplus) / deficit on revaluation of:			
- Available for sale securities	24.1	(16,223,312)	3,208,913
- Fixed assets	24.1	(3,322,829)	(3,061,347)
- Non-banking assets acquired in satisfaction of claims	24.2	(106,848)	(21,752)
		(19,652,989)	125,814
		63,654,593	42,916,902
24.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		47,733,682	44,320,452
Recognised during the year		17,842	3,691,784
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax Adjustment		(181,545)	(197,684)
Related deferred tax liability on incremental depreciation charged during the year		(174,426)	(149,130)
Surplus on revaluation of fixed assets as at December 31		47,395,553	47,733,682
Less: related deferred tax liability on:			
- revaluation as at January 1		(3,061,347)	(2,537,701)
- revaluation recognised during the year		(8,743)	(412,499)
- Rate adjustment		(427,165)	(260,277)
- incremental depreciation charged during the year		174,426	149,130
		(3,322,829)	(3,061,347)
		44,072,724	44,672,335

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
Note		------(Rupees in '000)-----	
24.2	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
	Surplus on revaluation as at January 1	2,520,000	2,863,886
	(Deficit) / surplus recognised during the year	283,228	(343,886)
	Surplus on revaluation as at December 31	2,803,228	2,520,000
	Less: related deferred tax liability on:		
	- revaluation as at January 1	(21,752)	(52,732)
	- revaluation recognised during the year	(82,060)	42,022
	- Rate adjustment	(3,036)	(11,042)
		(106,848)	(21,752)
		2,696,380	2,498,248
25.	CONTINGENCIES AND COMMITMENTS		
	Guarantees	25.1 346,487,980	377,561,372
	Commitments	25.2 2,362,684,359	2,373,285,184
	Other contingent liabilities	25.3 26,628,229	26,619,691
		2,735,800,568	2,777,466,247
25.1	Guarantees		
	Financial guarantees	227,063,459	287,741,990
	Performance guarantees	119,424,521	89,819,382
		346,487,980	377,561,372
25.2	Commitments		
	Documentary credits and short-term trade-related transactions		
	- letters of credit	1,633,847,479	1,696,635,726
	Commitments in respect of:		
	- forward foreign exchange contracts	25.2.1 655,935,358	570,881,591
	- forward government securities transactions	25.2.2 27,318,929	54,568,834
	- forward lending	25.2.3 44,432,555	50,363,949
	Commitments for acquisition of:		
	- operating fixed assets	1,129,442	798,234
	Other commitments	25.2.4 20,596	36,850
		2,362,684,359	2,373,285,184
25.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	412,870,783	368,380,755
	Sale	243,064,575	202,500,836
		655,935,358	570,881,591

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2023	2022
------	------

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

25.2.2 Commitments in respect of forward government securities transactions

Purchase	11,493,136	10,988,627
Sale	15,825,793	43,580,207
	27,318,929	54,568,834

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

2023	2022
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------(Rupees in '000)-----

25.2.3 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines and other commitments to lend	44,432,555	50,363,949
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These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

2023	2022
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------(Rupees in '000)-----

25.2.4 Other commitments

Professional services to be received	20,596	36,850
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25.3 Other contingent liabilities

25.3.1 Claims against the Bank not acknowledged as debt	26,628,229	26,619,691
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25.3.2 Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2022: Rs. 1,597 million).

25.3.3 Taxation

- The return of income for tax year 2023 has been filed which is treated to be deemed assessment order.
- Taxation Officer, following the instructions / directions of the learned CIRA, has passed the appeal effect orders for tax years 2019, 2020 and 2022 wherein the tax liability / (refund) has been assessed at (Rs. 1,852) million, Rs. 1,997 million and (Rs. 8,774) million respectively.
- Honourable ATIR has passed appellate orders for tax year 2006 and 2007 against monitoring orders and held that the proceedings are time barred. However, the orders of the DCIR remanded back to the assessing officer with the instruction to proceed further if any information is already available with the tax department.
- Honourable ATIR has passed appellate order for tax year 2016 against monitoring order and remanded back the issues to the assessing officer for reverification of the facts following the instructions of ATIR.
- The aggregate effect of contingencies as on December 31, 2023, including amount of Rs. 1,912 million (December 31, 2022: Rs. 1,912 million) in respect of indirect tax issues, amounts to Rs. 34,730 million

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(December 31, 2022: Rs. 27,159 million). No provision has been made against these contingencies, based on the opinion of tax consultant of the Bank, who expect favorable outcome upon decisions of pending appeals.

25.3.4 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that except for Pensionary benefits note 25.3.4.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

25.3.4.1 Pensionary benefits to retired employees

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

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

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

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

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

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

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

In case the above matters are decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 98,700 million excluding any penal interest / profit payment (if any) due to delayed payment Pension expense for the current year and onward will also increase by Rs. 13,500 million due to this decision. Based on the opinion of legal counsel, no provision has been made in these unconsolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

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

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

25.3.4.3 Litigation related to management trainee program

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

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

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

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

25.4 Foreign exchange repatriation case

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

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

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

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

With close oversight from the Board of Directors and Head Office Senior Management, the New York Branch completed remedial actions pursuant to the public enforcement actions issued by the New York State Department of Financial Services and the Federal Reserve Bank. Head Office and the Board will continue to maintain close oversight of the Branch, which has made significant progress in enhancing its compliance program. The actions implemented by the Branch and their associated validation by Internal Audit continue to remain subject to review by its regulators.

2023	2022
------	------

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

26 MARK-UP / RETURN / INTEREST EARNED

On:

a) Loans and advances	221,787,037	141,365,310
b) Investments	773,985,390	348,305,015
c) Lendings to financial institutions	27,619,480	12,815,152
d) Balances with banks	1,265,741	824,808
	<u>1,024,657,648</u>	<u>503,310,285</u>

27 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	365,117,330	209,597,640
Borrowings	6,988,812	5,116,553
Cost of foreign currency swaps against foreign currency deposits / borrowings	14,293,880	10,026,057
Finance charge on lease liability against right of use assets	810,696	848,592
Securities sold under repurchase agreements	468,699,346	160,894,929
	<u>855,910,064</u>	<u>386,483,771</u>

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
	Note	------(Rupees in '000)-----	
28	FEE AND COMMISSION INCOME		
	Branch banking customer fees	1,836,285	1,644,009
	Consumer finance related fees	537,528	525,249
	Card related fees (debit cards)	3,018,522	2,372,961
	Credit related fees	355,727	399,736
	Investment banking fees	479,928	767,814
	Commission on trade	2,431,771	2,120,399
	Commission on guarantees	815,499	742,496
	Commission on cash management	98,999	53,907
	Commission on remittances including home remittances	1,813,156	1,618,971
	Commission on bancassurance	227,995	308,736
	Commission on government transactions	10,319,641	10,506,945
	Others	97,131	90,887
		22,032,182	21,152,110
29	GAIN ON SECURITIES - NET		
	Realised	4,417,126	1,750,428
	Unrealised - held for trading	(34,939)	(1,054,801)
	Unrealised - Shortselling	1,873	442,320
		4,384,060	1,137,947
29.1	Realised gain on		
	Federal Government securities	1,289,150	121,098
	Shares	3,171,618	1,629,252
	Foreign securities	(43,642)	78
		4,417,126	1,750,428
30	OTHER INCOME		
	Rent on property	74,695	34,946
	Gain on sale of fixed assets - net	250,247	4,441
	Postal, SWIFT and other charges recovered / reversed	131,783	48,716
	Compensation for delayed delivery of vehicles	1,009	-
	Compensation for delayed tax refunds	1,320,345	1,588,150
	Gain on derecognition on right of use assets	-	1,690
	Tender money	2,307	576
	Commission on IPS non-competative bids	-	5,599
	Gain on closure of subsidiary and branch	-	42,933
	Others	13,079	10,394
		1,793,465	1,737,445

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
31	OPERATING EXPENSES		
		------(Rupees in '000)-----	
	Total compensation expenses	56,391,759	48,824,703
	Property expenses		
	Rent and taxes	1,241,018	1,132,695
	Insurance	59,269	63,756
	Utilities cost	2,871,400	2,149,280
	Security (including guards)	4,043,661	3,558,476
	Repair and maintenance (including janitorial charges)	1,463,325	1,140,487
	Depreciation	496,438	457,013
	Depreciation on non banking assets	10,045	15,717
	Depreciation on Ijarah assets	1,065	53,953
	Depreciation on ROUA	1,990,974	2,135,047
		12,177,195	10,706,424
	Information technology expenses		
	Software maintenance	2,803,333	1,953,761
	Hardware maintenance	137,903	121,056
	Depreciation	579,394	356,687
	Amortisation	277,042	323,149
	Network charges	892,901	763,928
	IT Manage Services	2,611,550	1,576,444
		7,302,123	5,095,025
	Other operating expenses		
	Directors' fees and allowances	88,232	25,772
	Fees and allowances to Shariah Board	17,123	16,368
	Legal and professional charges	2,154,647	1,195,338
	Outsourced services costs	931,924	702,378
	Travelling and conveyance	1,896,767	1,273,937
	NIFT clearing charges	255,128	218,640
	Depreciation	1,380,691	1,453,287
	Training and development	108,655	52,574
	Postage and courier charges	409,561	306,326
	Communication	1,211,017	526,610
	Stationery and printing	2,083,204	1,350,561
	Marketing, advertisement and publicity	1,153,625	931,103
	Donations	45,104	107,076
	Auditors' remuneration	360,590	242,409
	Fixed assets / Non-banking asset deficit	-	141,403
	Financial charges on leased assets	66,293	64,162
	Entertainment	335,999	267,998
	Clearing charges, verification and licence fee	565,390	524,546
	Brokerage	158,589	110,825
	Insurance general	742,120	564,873
	Vehicle expenses	257,265	278,756
	Deposit premium expense	1,392,861	1,813,582
	Repairs and maintenance general	1,374,253	932,677
	Others	485,599	372,641
		17,474,637	13,473,842
	Grand Total	93,345,714	78,099,994

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	------(Rupees in '000)-----	
31.1 Total compensation expense		
Managerial Remuneration		
i) Fixed	16,303,729	15,479,326
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	5,479,182	5,129,786
Charge for defined benefit plan	11,918,752	8,354,267
Rent & house maintenance	6,283,545	5,825,886
Utilities	2,667,271	2,112,571
Medical	4,602,916	3,871,937
Conveyance	4,250,732	3,743,225
Club Membership & Subscription	93,718	140,451
Education Allowance	1,818,799	1,443,112
Insurance	462,205	472,023
Honorarium to Staff and Staff Welfare	445,175	262,284
Overtime	45,892	45,255
Special Duty Allowance	3,621	2,408
Washing Allowance	14,208	15,044
Key Allowance	70,501	71,914
Unattractive Area Allowance	68,690	61,969
Leave Encashment	12,021	12,967
Teaching Allowance	10,864	10,590
Incentive on CASA deposits mobilization	35,378	23,739
Meal Allowance	246,262	249,065
Staff Incentive	8,421	-
Liveries	19	62
Inflationary Allowance	648,818	840,224
Saturday Allowances	162,405	149,162
Severe Winter Allowance	54,480	54,659
Hill Allowance	34,530	35,176
ATM Cash Replenish Allowance	20,593	14,977
PhD Allowance	10,098	10,441
Other retirement benefits for international branches	132,036	85,969
Reimbursement of visa fees etc	-	13,620
Recruiting expenses	-	7,732
Others	486,898	284,862
	56,391,759	48,824,703
	56,391,759	48,824,703

31.2 This includes Rs. 3.422 million (2022: Rs.3.422 million) insurance premium against directors' liability insurance.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- 31.3** Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 931.9 million (2022: Rs. 702.4 million). Out of this cost, Rs. 919.4 million (2022: Rs. 693.2 million) pertains to the payment to companies incorporated in Pakistan and Rs. 12.5 million (2022: Rs. 9.1 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. Nil (2022: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2023	2022
		------(Rupees in '000)-----	
HTECH Solutions (Private) Limited	Call center management	122,541	81,962
		122,541	81,962

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

- 31.4** Donations include following amounts:

Description

	2023	2022
	------(Rupees in '000)-----	
Family Educational Services Foundation (FESF)	-	17,000
Sanjan Nagar Public Education Trust (SNPET)	-	10,000
Layton Rahmatullah Benevolent Trust (LRBT)	-	5,000
Thardeep Microfinance Foundation (TMF)	-	6,000
Rural Community Development Programs (RCDP)	-	4,000
Prime Minister's Flood Relief Fund 2022	-	50,000
Namal Education Foundation (NEF)	-	5,197
Ghulam Ishaq Khan Institute of Engineering Sciences and Technology	26,549	9,879
The Citizen Foundation (TCF)	7,255	-
Network of Organizations Working for People with Disabilities Pakistan (NOWPDP)	5,000	-
Women Empowerment Group (WEG)	6,300	-
Total	45,104	107,076

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

A. F. Ferguson & Co.	BDO Ebrahim & Co.	Total 2023	Total 2022
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- 31.5 Auditors' remuneration**

	------(Rupees in '000)-----		
Audit fee	9,152	7,471	16,623
Review of interim financial statements	3,202	2,614	5,816
Fee for audit of domestic branches	7,438	6,072	13,510
	19,792	16,157	35,949
Special certifications	1,391	1,136	2,527
	21,183	17,293	38,476
Other special certifications and sundry advisory	77,209	4,662	81,871
Sales Tax	10,581	2,341	12,922
Out-of-pocket expenses	4,500	4,500	9,000
	113,473	28,796	142,269
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	218,321
	113,473	28,796	360,590

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
32 OTHER CHARGES	Note	------(Rupees in '000)-----	
Penalties imposed by State Bank of Pakistan		270,073	72,347
Penalties imposed by other regulatory bodies (Central bank of international branches)		15,867	279
		285,940	72,626
33 PROVISIONS AND WRITE OFFS - NET			
Provision for diminution in value of investments	10.3	458,787	3,812,519
Provision against loans and advances	11.4	13,386,635	8,059,708
Provision against other assets	16.5.1	239,045	562,955
Provision against contingencies	21.1	384,838	165,423
		14,469,305	12,600,607
34 TAXATION			
Current			
For the year	34.1	53,264,509	31,599,204
Prior years		(6,322,999)	3,828,030
		46,941,510	35,427,234
Deferred			
For the year		(5,602,109)	(3,100,371)
Prior years		8,073,227	-
		2,471,118	(3,100,371)
		49,412,628	32,326,863
34.1	Current taxation includes Rs.Nil (2022: Rs. Nil) of overseas branches.		
34.2 Relationship between tax expense and accounting profit			
Accounting profit before tax		101,253,090	62,737,163
Income tax at statutory rate @ 39% (2022: 39%)		39,488,705	24,467,494
Super tax at statutory rate @ 10% (2022: 10%)		10,125,309	6,273,716
Increase / (decrease) in taxes resulting from:			
Inadmissible items		140,111	35,587
Prior year taxation		1,750,228	3,828,030
Impact of change in tax rate		(1,716,671)	(2,075,075)
Reduced rate on SME / Housing		-	(87,432)
Others		(375,054)	(115,457)
Tax charge for current and prior years		49,412,628	32,326,863
34.3	During the year, in relation to Section 99D of the Income Tax Ordinance, 2001, FBR has issued SRO to impose an additional windfall tax @ 40% on foreign exchange income of the banks for the accounting years 2021 and 2022. The Bank along with other banks has challenged the law and filed a petition in Sindh High Court. Based on strong grounds, stay order has also been issued to banks. However, the Bank has, as an abundant caution, recorded a prior year charge of Rs. 1,750 million in these unconsolidated financial statements. Similar cases have also been filed by other banks in Islamabad & Lahore High Courts wherein stay orders have been granted. The FBR has challenged the stay orders granted by Sindh, Islamabad and Lahore High Courts in Supreme Court of Pakistan.		

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
35	BASIC EARNINGS PER SHARE		
	Profit for the year (Rupees in 000's)	51,840,462	30,410,300
	Weighted average number of ordinary shares (Number in 000's)	2,127,513	2,127,513
	Basic earnings per share (Rupees)	24.37	14.29
36	DILUTED EARNINGS PER SHARE		
	Profit for the year (Rupees in 000's)	51,840,462	30,410,300
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	2,127,513	2,127,513
	Diluted earnings per share (Rupees)	24.37	14.29
		2023	2022
37	CASH AND CASH EQUIVALENTS	Note -----(Rupees in '000)-----	
	Cash and balances with treasury banks	7 294,992,570	229,910,949
	Balances with other banks	8 42,325,051	18,593,800
	Call / clean money lendings	9 9,723	9,723
	Call borrowings	18 (19,434,142)	(25,810,145)
	Overdrawn nostro accounts	18 (19,330,975)	-
		298,562,227	222,704,327
37.1	Reconciliation of movements of liabilities to cash flow used in financing activities:		
		2023	
		Lease Obligation	Unclaimed Dividend
		----- (Rupees in '000) -----	
	Balance as at January 1, 2023	8,267,949	181,851
	Changes from financing cashflows		
	Payment of lease obligation / dividend	(3,446,309)	(7,567)
	Total charges from financing activities	(3,446,309)	(7,567)
	Other charges		
	Renewed lease during the year	2,239,854	-
	Interest unwinding	810,696	-
	Foreign exchange gain	392,592	-
	Total other charges	3,443,142	-
	Balance as at December 31, 2023	8,264,782	174,284
		2022	
		Lease Obligation	Unclaimed Dividend
		----- (Rupees in '000) -----	
	Balance as at January 1, 2022	7,893,960	181,997
	Changes from financing cashflows		
	Payment of lease obligation / dividend	(2,428,160)	(146)
	Total charges from financing activities	(2,428,160)	(146)
	Other charges		
	Renewed lease during the year	2,244,669	-
	Interest unwinding	848,592	-
	Foreign exchange loss	(291,112)	-
	Total other charges	2,802,149	-
	Balance as at December 31, 2022	8,267,949	181,851

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	------(Numbers)-----	
38 STAFF STRENGTH		
Permanent	9,542	10,018
On Bank contract	5,420	5,094
Bank's own staff strength at the end of the year	14,962	15,112

38.1 In addition to the above, 1,722 (2022: 1,218) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Out of these, 1,708 employees are working domestically (2022: 1,211) and 14 (2022: 7) abroad respectively.

39 DEFINED BENEFIT PLAN

39.1 General description

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

39.2 Number of employees under the scheme

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

	2023	2022
	------(Numbers)-----	
Pension fund	9,542	10,018
Post retirement medical scheme	9,542	10,018
Benevolent scheme	9,542	10,018
Gratuity scheme	5,185	4,855
Compensated absences	9,542	10,018

39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2023 using the following significant assumptions:

	2023	2022
	------(Per annum)-----	
Discount rate	15.50%	14.50%
Expected rate of return on plan assets	15.50%	14.50%
Expected rate of salary increase	15.50%	14.50%
Expected rate of increase in pension	80% for next one year, 11% onwards	53% for next one year, 10% onwards
Expected rate of increase in medical benefit	15.50%	14.50%

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2023	2022
------	------

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

39.8 Components of plan assets - Pension fund

Cash and cash equivalents - net	430,000	284,476
Government securities	63,789,305	53,824,866
Shares	7,509,967	5,565,760
Non-Government debt securities	100,000	100,000
Mutual funds	8,817,027	6,289,301
	<u>80,646,299</u>	<u>66,064,403</u>

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

39.9 Sensitivity analysis

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

	2023					Total
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	
	------(Rupees in '000)-----					
1% increase in discount rate	(9,103,581)	(3,717,246)	(77,359)	(467,512)	(618,856)	(13,984,554)
1% decrease in discount rate	10,830,235	4,539,943	85,479	542,519	699,037	16,697,213
1 % increase in expected rate of salary increase	3,739,334	1,112,624	2,138	559,557	736,133	6,149,786
1 % decrease in expected rate of salary increase	(3,400,875)	(1,008,614)	(2,385)	(489,081)	(661,895)	(5,562,850)
1% increase in expected rate of pension increase	7,240,026	1,558,832	-	-	-	8,798,858
1% decrease in expected rate of pension increase	(6,280,959)	(1,356,049)	-	-	-	(7,637,008)
1% increase in expected rate of medical benefit increase	-	1,648,940	-	-	-	1,648,940
1% decrease in expected rate of medical benefit increase	-	(1,401,261)	-	-	-	(1,401,261)

39.10 Expected contributions to be paid to the fund in the next financial year **1,682,347**

39.11 Expected charge for the next financial year **13,774,701**

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	9.50
Post retirement medical scheme	11.87
Benevolent scheme	5.05
Gratuity scheme	11.04
Compensated absences	6.84

39.13 Funding Policy

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

Current Assets	Amount Rupees in '000	Percentage
Cash and cash equivalents - net	430,000	0.5%
Government securities	63,789,305	79.1%
Shares	7,509,967	9.3%
Non-Government debt securities	100,000	0.1%
Mutual funds	8,817,027	10.9%
	<u>80,646,299</u>	<u>100%</u>

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

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

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

40. DEFINED CONTRIBUTION PLAN

Provident Fund

The NBP employees Provident Fund was created under National Bank of Pakistan Employees Provident Fund Rules on April 01, 1950, under the Provident Fund Act, 1925. The Rules have been superseded by revised NBP Employees' Provident Fund Rules which came into force on January 01, 1958.

As per rules, the Officers, Executives and Clerical and Non Clerical staff in regular cadre make monthly contribution of 10% and 12.5% of their basic salary respectively towards the fund and the bank has to pay interest on balances of member's provident fund half yearly.

This scheme covers 9,313 employees (2022: 9,737 employees).

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

Items	2023					
	Directors		Members Shariah Board	President / CEO (Note 41.1.1)	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
(Rupees in '000)						
Fees and Allowances etc.	11,786	76,446	11,370	-	-	-
Managerial Remuneration						
i) Fixed	-	-	1,972	9,405	193,791	1,062,350
ii) Total Variable	-	-	-	-	-	-
of which	-	-	-	-	-	-
a) Cash Bonus / Awards	-	-	809	-	156,328	549,076
Charge for defined benefit plan	-	-	594	6,915	68,901	503,701
Rent & house maintenance	-	-	1,085	6,001	106,585	533,924
Utilities	-	-	394	2,182	38,697	189,209
Medical	-	-	325	1,800	32,471	210,759
Conveyance	-	-	444	1,501	37,840	283,510
Others*	-	-	130	35,136	14,090	221,535
Total	11,786	76,446	17,123	62,940	648,703	3,554,064
Number of Persons	1	**6	5	1	29	287

41.1.1 This represents amount of compensation paid to President in the capacity of Acting President uptill August 6, 2023 as per entitlement of SEVP / Group Chief and also included payment of Gratuity as end service benefit (Rs. 33.416 million included in Others). Upon receipt of Federal Government Notification # F.1 (9) BKG-III/2022-1119 dated August 7, 2023, of his appointment as President / CEO of the Bank, the payment of salary as per entitlement of SEVP / Group Chief was discontinued and Board of Directors in its 352nd meeting dated September 20, 2023, approved adjustable monthly advance equivalent to the salary and benefits of former President till approval of his compensation package from the shareholders and an amount of Rs. 22.963 million has been paid from August 07, 2023 till December 31, 2023 to the President which will be adjusted from his salary on approval.

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

** Mr. Asif Jooma retired on March 08, 2023.

41.1.2 The total amount of deferred bonus as at December 31, 2023 for the Key Management Personnel and other Material Risk Takers (MRT) / Material Risk Controllers (MRC) is Rs. 233.6 million (2022: Rs. 149.7 million). The deferred bonus is held in a trust fund.

Performance bonus is accounted for on payment basis

Items	2022					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
(Rupees in '000)						
Fees and Allowances etc.	2,705	23,067	11,370	-	-	-
Managerial Remuneration						
i) Fixed	-	-	1,793	28,756	231,791	646,468
ii) Total Variable	-	-	-	-	-	-
of which	-	-	-	-	-	-
a) Cash Bonus / Awards	-	-	727	-	156,019	368,960
Charge for defined benefit plan	-	-	450	6,945	40,039	223,238
Rent & house maintenance	-	-	986	5,038	106,721	353,830
Utilities	-	-	305	1,557	32,986	105,025
Medical	-	-	224	1,145	25,334	111,110
Conveyance	-	-	408	-	29,957	145,145
Others	-	-	105	31,151	16,351	140,572
Total	2,705	23,067	16,368	74,592	639,198	2,094,348
Number of Persons	1	6	5	2	23	179

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

		2023							
SNo.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid					Allowances *	Total Amount Paid
			For Board Committees						
			Board Audit Committee	Board Risk & Compliance Committee **	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee		
(Rupees. in '000)									
1	Mr. Ashraf Mahmood Wathra	6,720	-	-	3,840	-	960	266	11,786
2	Mr. Farid Malik	3,950	2,950	150	3,000	1,350	-	2,171	13,571
3	Mr. Ahsan Ali Chughtai	4,750	3,900	7,000	300	-	-	579	16,529
4	Mr. Amjad Mahmood	4,200	3,750	1,200	-	1,750	550	105	11,555
5	Mr. Ali Syed	4,600	3,750	3,750	2,700	1,600	-	-	16,400
6	Mr. Nasim Ahmad	4,450	3,600	4,000	-	150	550	4,291	17,041
7	Mr. Asif Jooma***	600	300	150	300	-	-	-	1,350
Total Amount Paid		29,270	18,250	16,250	10,140	4,850	2,060	7,412	88,232

* Allowances include accommodation and travel expenses.

** Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

*** Retired on March 08, 2023.

		2022							
SNo.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid					Allowances *	Total Amount Paid
			For Board Committees						
			Board Audit Committee	Board Risk & Compliance Committee **	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee		
(Rs. in '000)									
1	Mr. Zubyr Soomro *	900	-	-	150	-	300	1,355	2,705
2	Mr. Farid Malik	2,250	750	450	750	600	300	1,158	6,258
3	Mr. Tawfiq Asghar Hussain *	900	450	*** 600	-	-	-	-	1,950
4	Mr. Imam Bukhsh Baloch *	900	450	450	-	-	-	47	1,847
5	Ms. Sadaffe Abid *	900	-	-	-	150	450	292	1,792
6	Mr. Asif Jooma	2,250	1,200	450	750	-	600	-	5,250
7	Mr. Ahsan Ali Chughtai	2,250	750	900	600	450	450	570	5,970
Total Amount Paid		10,350	3,600	2,850	2,250	1,200	2,100	3,422	25,772

* Retired on April 16, 2022.

** Allowances include accommodation and travel expenses.

*** Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

41.3 Remuneration paid to Shariah Board Members

Items	2023				2022			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
(Rupees. in '000)								
Retainer Fee & Fixed Remuneration	4,050	5,753	7,320	17,123	4,050	4,998	7,320	16,368
Total Amount Paid	4,050	5,753	7,320	17,123	4,050	4,998	7,320	16,368
Total Number of Persons	1	1	3	5	1	1	3	5

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42. FAIR VALUE MEASUREMENTS

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

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

42.1 Fair value of financial assets

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

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

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

	2023				Total
	Carrying Value	Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities					
Market Treasury Bills	980,162,978	-	980,162,978	-	980,162,978
Pakistan Investment Bonds	2,915,714,573	-	2,915,714,573	-	2,915,714,573
Ijarah Sukuks	35,128,974	-	35,128,974	-	35,128,974
Foreign currency debt securities	30,733,308	-	30,733,308	-	30,733,308
Ordinary Shares					
Listed Companies	62,415,235	62,415,235	-	-	62,415,235
Preference Shares					
Listed	1,043,797	1,043,797	-	-	1,043,797
Non-Government Debt Securities					
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds	47,634,990	14,437,490	33,197,500	-	47,634,990

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For the year ended December 31, 2023

	2023				Total
	Carrying Value	Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
Mutual Fund Units	3,905,304	-	3,905,304	-	3,905,304
Foreign Securities					
Equity securities - Listed	42,634,845	42,634,845	-	-	42,634,845
Foreign Government debt securities	3,393,550	-	3,393,550	-	3,393,550
	4,122,767,554	120,531,367	4,002,236,187	-	4,122,767,554
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities					
Pakistan Investment Bonds	213,116,482	-	193,881,462	-	193,881,462
Ijarah Sukuks	14,087,500	-	12,419,631	-	12,419,631
Foreign currency debt securities	4,288,988	-	4,243,611	-	4,243,611
Foreign Securities					
Foreign Government debt securities	41,295,981	-	41,295,994	-	41,295,994
Non-Government Debt Securities	1,083	-	1,083	-	1,083
	272,790,034	-	251,841,781	-	251,841,781
	4,395,557,588	120,531,367	4,254,077,968	-	4,374,609,335
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	655,935,358	-	(6,676,880)	-	(6,676,880)
Forward government securities transactions	27,318,929	-	3,357	-	3,357

	2022				Total
	Carrying Value	Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities					
Market Treasury Bills	848,763,986	-	848,763,986	-	848,763,986
Pakistan Investment Bonds	2,005,678,970	-	2,005,678,970	-	2,005,678,970
Ijarah Sukuks	20,178,649	-	20,178,649	-	20,178,649
Foreign currency debt securities	14,422,839	-	14,422,839	-	14,422,839

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For the year ended December 31, 2023

	2022				Total
	Carrying Value	Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
Ordinary Shares					
Listed Companies	36,659,044	36,659,044	-	-	36,659,044
Preference Shares					
Listed	1,091,477	1,091,477	-	-	1,091,477
Non-Government Debt Securities					
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds	47,182,336	15,145,954	32,036,382	-	47,182,336
Mutual Fund Units	3,120,431	-	3,120,431	-	3,120,431
Foreign Securities					
Equity securities - Listed	34,844,245	34,844,245	-	-	34,844,245
Foreign Government debt securities	1,883,953	-	1,883,953	-	1,883,953
	<u>3,013,825,930</u>	<u>87,740,720</u>	<u>2,926,085,210</u>	<u>-</u>	<u>3,013,825,930</u>
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities					
Market Treasury Bills	29,376,461	-	29,137,260	-	29,137,260
Pakistan Investment Bonds	375,236,903	-	355,231,276	-	355,231,276
Ijarah Sukuks	13,130,709	-	12,383,300	-	12,383,300
Foreign currency debt securities	2,992,408	-	1,665,559	-	1,665,559
Foreign Securities					
Foreign Government debt securities	36,096,507	-	37,327,167	-	37,327,167
Non-Government Debt Securities	871	-	871	-	871
	<u>456,833,859</u>	<u>-</u>	<u>435,745,433</u>	<u>-</u>	<u>435,745,433</u>
	<u>3,470,659,789</u>	<u>87,740,720</u>	<u>3,361,830,643</u>	<u>-</u>	<u>3,449,571,363</u>
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	570,881,591	-	(125,371)	-	(125,371)
Forward government securities transactions	54,568,834	-	(14,626)	-	(14,626)

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

Item	Valuation approach and input used
Federal Government securities	The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuter page.
Non-Government debt securities	The fair value of non-government debt securities is determined using the prices / rates from MUFAP / Pakistan Stock Exchange.
Mutual Fund units	The fair values of investments in mutual fund units are determined based on their net asset values as published on MUFAP.
Ordinary Shares	The fair value of Ordinary shares is determined using the prices from Pakistan Stock Exchange.
Foreign Securities	The fair value of foreign securities is determined using the prices from Reuter page.
Forward foreign exchange contracts and Forward Government securities transactions	The fair values of forward foreign exchange contracts and forward Government securities transactions are determined using forward pricing calculations.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

42.2 Fair value of non-financial assets

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

	2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
Land & building (fixed assets)	51,981,445	-	-	51,981,445	51,981,445
Non-banking assets acquired in satisfaction of claims	3,973,126	-	-	3,973,126	3,973,126
	55,954,571	-	-	55,954,571	55,954,571

	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
Land & building (fixed assets)	52,417,088	-	-	52,417,088	52,417,088
Non-banking assets acquired in satisfaction of claims	3,699,943	-	-	3,699,943	3,699,943
	56,117,031	-	-	56,117,031	56,117,031

42.3 Certain categories of fixed assets (land and buildings) and non-banking assets acquired in satisfactions of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

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43 SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

	2023									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Alteeraad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
Profit and loss account										
Net mark-up / return / profit	(288,653,905)	44,446,578	30,024,021	372,043,914	676,660	11,604,875	(1,394,559)	168,747,584	-	168,747,584
Inter segment revenue - net	426,952,717	(44,570,637)	(14,722,482)	(394,040,795)	-	(3,783,783)	30,164,980	-	-	-
Non mark-up / return / interest income	16,879,805	469,040	5,475,249	15,013,398	948,566	379,522	1,440,885	40,606,465	-	40,606,465
Total income	155,178,617	344,981	20,776,788	(6,983,483)	1,625,226	8,200,614	30,211,306	209,354,049	-	209,354,049
Segment direct expenses	36,682,759	3,763,540	1,353,645	489,431	10,080,124	3,497,535	454,803	56,321,837	-	56,321,837
Inter segment expense allocation	-	-	-	-	-	-	37,309,817	37,309,817	-	37,309,817
Total expenses	36,682,759	3,763,540	1,353,645	489,431	10,080,124	3,497,535	37,764,620	93,631,654	-	93,631,654
Provisions charge / (reversal)	(392,545)	1,421,129	13,619,854	1,778,752	(682,121)	1,173,602	(2,449,366)	14,469,305	-	14,469,305
Profit / (loss) before tax	118,888,403	(4,839,688)	5,803,289	(9,251,666)	(7,772,777)	3,529,477	(5,103,948)	101,253,090	-	101,253,090
Statement of financial position										
Cash and Bank balances	25,780,334	2,327,011	309,620	253,026,662	45,582,613	10,291,381	-	337,317,621	-	337,317,621
Investments	-	-	29,881,757	4,238,437,789	79,712,923	51,544,718	3,786,856	4,403,364,043	-	4,403,364,043
Net inter segment lending	2,848,709,058	-	-	-	-	-	305,771,087	3,154,480,145	(3,154,480,145)	-
Lendings to financial institutions	-	-	-	192,430,437	-	-	-	192,430,437	-	192,430,437
Advances - performing	236,148,640	263,088,116	719,724,952	-	69,139,462	73,125,444	49,633,363	1,410,859,977	-	1,410,859,977
- non-performing	4,151,922	24,855,686	25,215,003	-	64,791,844	1,550,350	100,260,911	220,825,716	-	220,825,716
Provision against advances	(8,543,697)	(21,077,228)	(34,670,159)	-	(62,606,767)	(1,550,875)	(105,160,147)	(233,608,873)	-	(233,608,873)
Advances - net	231,756,865	266,866,574	710,269,796	-	71,324,539	73,124,919	44,734,127	1,398,076,820	-	1,398,076,820
Others	45,196,987	4,100,249	37,794,142	117,135,121	8,304,683	5,155,676	103,831,659	321,518,517	-	321,518,517
Total assets	3,151,443,244	273,293,834	778,255,315	4,801,030,009	204,924,758	140,116,694	458,123,729	9,807,187,583	(3,154,480,145)	6,652,707,438
Borrowings	-	5,171,334	69,334,637	2,085,073,081	18,164,142	-	-	2,177,743,194	-	2,177,743,194
Deposits and other accounts	2,949,740,794	-	510,139,226	-	99,315,779	113,801,806	1,361,774	3,674,359,379	-	3,674,359,379
Net inter segment borrowing	-	249,921,195	169,394,086	2,620,973,252	90,971,376	23,220,236	-	3,154,480,145	(3,154,480,145)	-
Others	201,702,450	18,201,305	29,358,657	51,337,805	6,639,026	3,494,868	107,115,161	417,849,272	-	417,849,272
Total liabilities	3,151,443,244	273,293,834	778,226,606	4,757,384,138	215,090,323	140,516,910	108,476,935	9,424,431,990	(3,154,480,145)	6,269,951,845
Equity	-	-	28,709	43,645,871	(10,165,565)	(400,216)	349,646,794	382,755,593	-	382,755,593
Total equity and liabilities	3,151,443,244	273,293,834	778,255,315	4,801,030,009	204,924,758	140,116,694	458,123,729	9,807,187,583	(3,154,480,145)	6,652,707,438
Contingencies and commitments	-	90,350,773	1,864,882,509	727,686,842	25,102,178	-	27,778,266	2,735,800,568	-	2,735,800,568

(Rupees in '000)

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2022

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking Group	Treasury	International, Financial Institution and Remittance	Alteemad & Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
Profit and loss account										
Net mark-up / return / profit	(162,183,572)	25,161,999	36,956,951	205,604,613	4,645,932	7,046,951	(406,360)	116,826,514	-	116,826,514
Inter segment revenue - net	242,679,059	(25,749,912)	(32,666,816)	(206,725,877)	-	(1,932,090)	24,395,636	-	-	-
Non mark-up / return / interest income	16,238,007	491,382	4,513,056	11,741,832	1,816,805	475,181	1,407,613	36,683,876	-	36,683,876
Total income	96,733,494	(96,531)	8,803,191	10,620,568	6,462,737	5,590,042	25,396,889	153,510,390	-	153,510,390
Segment direct expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	406,513	51,134,045	-	51,134,045
Inter segment expense allocation	-	-	-	-	-	-	27,038,575	27,038,575	-	27,038,575
Total expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	27,445,088	78,172,620	-	78,172,620
Provisions charge / (reversal)	39,252	1,823,824	5,642,750	4,066,055	153,204	187,806	687,716	12,600,607	-	12,600,607
Profit / (loss) before tax	61,748,837	(5,331,330)	1,926,197	6,198,854	(1,366,464)	2,296,984	(2,735,915)	62,737,163	-	62,737,163
Statement of financial position										
Cash and Bank balances	76,022,158	8,471,928	272,335	116,207,653	41,420,355	6,110,320	-	248,504,749	-	248,504,749
Investments	-	-	26,566,790	3,338,860,011	55,396,579	53,920,119	2,610,375	3,477,353,874	-	3,477,353,874
Net inter segment lending	1,913,764,601	-	-	-	-	-	161,978,230	2,075,742,831	(2,075,742,831)	-
Lendings to financial institutions	-	-	-	31,272,467	-	-	-	31,272,467	-	31,272,467
Advances - performing	221,901,091	236,174,990	608,422,187	-	68,916,285	46,381,315	51,477,911	1,233,273,779	-	1,233,273,779
- non-performing	4,107,960	21,853,219	24,119,377	-	53,726,670	654,979	100,845,220	205,307,425	-	205,307,425
Provision against Advances	(8,972,018)	(19,791,641)	(23,100,384)	-	(62,356,953)	(655,299)	(103,183,105)	(208,059,400)	-	(208,059,400)
Advances - net	217,037,033	238,236,568	609,441,180	-	70,286,002	46,380,995	49,140,026	1,230,521,804	-	1,230,521,804
Others	31,988,215	3,619,415	41,795,925	381,562	6,402,399	2,842,469	165,741,667	252,771,652	-	252,771,652
Total assets	2,238,812,007	250,327,911	678,076,230	3,486,721,693	173,505,335	109,253,903	379,470,298	7,316,167,377	(2,075,742,831)	5,240,424,546
Borrowings	-	6,032,537	78,399,946	1,839,417,048	16,636,856	-	-	1,940,485,787	-	1,940,485,787
Deposits and other accounts	2,089,363,447	-	406,454,898	-	75,916,594	93,591,714	837,707	2,666,184,360	-	2,666,184,360
Net inter segment borrowing	-	227,691,242	157,769,526	1,581,730,692	96,687,516	11,863,855	-	2,075,742,831	(2,075,742,831)	-
Others	149,428,560	16,604,132	35,169,167	44,395,276	2,896,990	3,373,890	81,038,625	332,906,640	-	332,906,640
Total liabilities	2,238,812,007	250,327,911	677,792,937	3,465,543,016	182,137,956	108,829,459	81,876,332	7,015,319,618	(2,075,742,831)	4,939,576,787
Equity	-	-	283,293	21,178,677	(18,632,621)	424,444	297,593,966	300,847,759	-	300,847,759
Total equity and liabilities	2,238,812,007	250,327,911	678,076,230	3,486,721,693	173,505,335	109,253,903	379,470,298	7,316,167,377	(2,075,742,831)	5,240,424,546
Contingencies and commitments	-	183,082,386	1,907,266,393	625,450,425	28,425,095	-	33,241,948	2,777,466,247	-	2,777,466,247

(Rupees in '000)

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

43.2 Segment details with respect to geographical locations

	2023					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
------(Rupees in '000)-----						
Profit and loss account						
Net mark-up / return / profit	168,070,924	(2,358,459)	130,022	1,055,688	1,849,409	168,747,584
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	39,657,899	230,877	353,114	200,284	164,291	40,606,465
Total income	207,728,823	(2,127,582)	483,136	1,255,972	2,013,700	209,354,049
Segment direct expenses	46,241,714	2,526,822	1,409,334	4,394,781	1,749,186	56,321,837
Inter segment expense allocation	37,309,817	-	-	-	-	37,309,817
Total expenses	83,551,531	2,526,822	1,409,334	4,394,781	1,749,186	93,631,654
Provisions	15,151,429	(148,451)	539	-	(534,212)	14,469,305
Profit / (loss) before tax	109,025,863	(4,505,953)	(926,737)	(3,138,809)	798,726	101,253,090
Statement of financial position						
Cash and Bank balances	291,735,008	24,736,961	10,517,717	8,252,155	2,075,780	337,317,621
Investments	4,323,651,120	43,999,021	-	5,301,911	30,411,991	4,403,364,043
Net inter segment lendings	90,971,180	-	-	-	-	90,971,180
Lendings to financial institutions	192,430,437	-	-	-	-	192,430,437
Advances - performing	1,341,720,515	43,244,999	3	32	25,894,428	1,410,859,977
- non-performing	156,033,871	53,001,981	2,045,768	-	9,744,096	220,825,716
Provision against advances	(171,001,908)	(52,862,087)	(2,045,768)	(15,437)	(7,683,673)	(233,608,873)
Advances - net	1,326,752,478	43,384,893	3	(15,405)	27,954,851	1,398,076,820
Others	313,258,791	4,669,880	130,707	1,726,464	1,732,675	321,518,517
Total assets	6,538,799,014	116,790,755	10,648,427	15,265,125	62,175,297	6,743,678,618
Borrowings	2,159,579,052	8,299,024	-	-	9,865,118	2,177,743,194
Deposits and other accounts	3,575,043,600	46,442,386	4,705,117	7,801,287	40,366,989	3,674,359,379
Net inter segment borrowing	-	64,906,376	5,733,903	6,298,940	14,031,961	90,971,180
Others	411,255,209	1,442,636	209,407	1,821,640	3,120,380	417,849,272
Total liabilities	6,145,877,861	121,090,422	10,648,427	15,921,867	67,384,448	6,360,923,025
Equity	392,921,153	(4,299,667)	-	(656,742)	(5,209,151)	382,755,593
Total equity and liabilities	6,538,799,014	116,790,755	10,648,427	15,265,125	62,175,297	6,743,678,618
Contingencies and commitments	2,710,698,390	12,116,117	808,936	430,156	11,746,969	2,735,800,568

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2022					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	------(Rupees in '000)-----					
Profit and loss account						
Net mark-up / return / profit	112,180,582	1,674,206	44,424	508,358	2,418,944	116,826,514
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,867,071	763,554	281,607	322,301	449,343	36,683,876
Total Income	147,047,653	2,437,760	326,031	830,659	2,868,287	153,510,390
Segment direct expenses	43,458,049	1,920,697	1,083,965	3,420,453	1,250,882	51,134,046
Inter segment expense allocation	27,038,574	-	-	-	-	27,038,574
Total expenses	70,496,623	1,920,697	1,083,965	3,420,453	1,250,882	78,172,620
Provisions	12,447,402	(129,353)	(306)	2,562	280,302	12,600,607
Profit / (loss) before tax	64,103,628	646,416	(757,628)	(2,592,356)	1,337,103	62,737,163
Statement of financial position						
Cash and bank balances	207,084,394	16,776,954	12,524,181	9,444,994	2,674,226	248,504,749
Investments	3,421,957,295	35,919,928	-	2,759,589	16,717,062	3,477,353,874
Net inter segment lendings	96,707,768	-	-	-	-	96,707,768
Lendings to financial institutions	31,272,467	-	-	-	-	31,272,467
Advances - performing	1,194,699,235	5,207,650	420	561,473	32,805,001	1,233,273,779
- non-performing	121,239,014	74,638,826	1,584,372	-	7,845,213	205,307,425
Provision against Advances	(155,702,446)	(44,181,403)	(1,584,372)	(12,401)	(6,578,778)	(208,059,400)
Advances - net	1,160,235,803	35,665,073	420	549,072	34,071,436	1,230,521,804
Others	246,369,252	3,817,915	178,130	251,227	2,155,128	252,771,652
Total assets	5,163,626,979	92,179,870	12,702,731	13,004,882	55,617,852	5,337,132,314
Borrowings	1,923,848,931	1,928,779	-	-	14,708,077	1,940,485,787
Deposits and other accounts	2,590,267,766	35,927,275	7,941,305	5,574,521	26,473,493	2,666,184,360
Net inter segment borrowing	-	59,264,939	4,503,018	8,442,185	24,497,626	96,707,768
Others	330,009,650	964,792	258,408	667,328	1,006,462	332,906,640
Total liabilities	4,844,126,347	98,085,785	12,702,731	14,684,034	66,685,658	5,036,284,555
Equity	319,500,632	(5,905,915)	-	(1,679,152)	(11,067,806)	300,847,759
Total equity and liabilities	5,163,626,979	92,179,870	12,702,731	13,004,882	55,617,852	5,337,132,314
Contingencies and commitments	2,749,041,154	9,797,537	1,803,538	6,737,008	10,087,010	2,777,466,247

44. TRUST ACTIVITIES

44.1 Endowment Fund

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

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

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

The amount of the Endowment Funds in investments stands at Rs. 936.8 million as at December 31, 2023 (2022: Rs. 875.2 million).

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

As at December 31, 2023					
Securities Held (Face Value)					
Category	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	Total
------(Rupees in '000)-----					
Assets Management Companies	48	-	-	-	-
Charitable institutions	6	-	-	-	-
Companies	42	203,783,170	59,782,300	24,417,400	287,982,870
Employee Funds	47	55,528,855	429,482,600	-	485,011,455
Individuals	2,317	3,008,590	63,200	-	3,071,790
Insurance Companies	8	49,300,000	172,939,300	-	222,239,300
Others	97	164,055,135	544,853,930	-	708,909,065
Total	2,565	475,675,750	1,207,121,330	24,417,400	1,707,214,480

As at December 31, 2022					
Securities Held (Face Value)					
Category	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	Total
------(Rupees in '000)-----					
Assets Management companies	48	-	-	-	-
Charitable institutions	6	-	-	-	-
Companies	33	111,150,080	53,771,500	27,417,400	192,338,980
Employee Funds	42	76,006,000	67,408,800	-	143,414,800
Individuals	1,680	723,040	63,000	-	786,040
Insurance Companies	8	28,850,000	160,826,800	-	189,676,800
Others	79	198,320,900	672,294,130	-	870,615,030
Total	1,896	415,050,020	954,364,230	27,417,400	1,396,831,650

45. RELATED PARTY TRANSACTIONS

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

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

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023							2022													
	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	-	-	-	-	425,938	-	-	-	-	-	-	-	-	-	395,137	-	-	-	-	-	-
Investments																					
Opening balance	-	-	-	-	-	-	-	-	-	6,512,634	-	-	-	-	-	-	-	-	-	4,465,009	-
Investment made during the year	-	-	-	-	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	2,046,825	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	(44,021)	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	(1,150,536)	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	4,921,177	-	-	-	-	-	-	-	-	-	6,512,634	-
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	164,975	-	-	-	-	-	-	-	-	-	-	461,354
Advances																					
Opening balance	-	339,734	227,063	2,665,220	-	-	-	-	-	2,065,795	-	-	-	-	-	-	-	-	-	-	641,482
Addition during the year	-	24,777	764,000	-	-	-	-	-	-	86,147	-	-	-	-	-	-	-	-	-	-	2,229,175
Repaid during the year	-	(96,217)	(674,000)	(124,767)	-	-	-	-	-	(520,649)	-	-	-	-	-	-	-	-	-	-	(1,435,378)
Transfer in / (out) - net	-	(40,596)	-	-	-	-	-	-	-	(1,565,146)	-	-	-	-	-	-	-	-	-	-	650,516
Closing balance	-	265,788	317,063	2,540,453	-	-	-	-	-	-	-	-	-	-	338,734	227,063	2,665,220	-	-	-	2,085,795
Provision held against advances	-	-	217,063	2,540,453	-	-	-	-	-	-	-	-	-	-	217,063	2,665,220	-	-	-	-	-
Other Assets																					
Interest / mark-up accrued	-	-	135,050	1,313,344	-	-	-	-	-	-	-	-	-	-	82,502	1,717,167	-	-	-	-	-
Commission paid in advance	-	-	-	-	35,846	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent receivable	-	-	73,280	-	-	-	-	-	-	-	-	-	-	-	73,280	-	-	-	-	-	-
	-	206,330	1,313,344	35,846	-	-	-	-	-	-	-	-	-	-	155,782	1,717,167	-	-	-	-	-
Provision against other assets	-	-	73,280	-	-	-	-	-	-	-	-	-	-	-	73,280	-	-	-	-	-	-
Borrowings																					
Opening balance	-	-	-	-	52,245	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	493,964	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	546,209	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,245
Deposits and other accounts																					
Opening balance	-	96,488	911,103	3,000	-	27,222	-	257,252	13,263,170	515,559	-	-	-	-	-	86,264	10,100,000	46,769	12,854,755	43,336,142	
Received during the year	11,733	991,165	455,593	145,790	-	62,751,350	-	3,883,069	5,969,645	123,529,442	-	-	-	-	886,658	14,507	3,000	-	8,370,003	5,025,151	
Withdrawn during the year	(8,103)	(996,174)	(117,231)	(3,000)	(1,450)	(62,778,472)	-	(3,761,343)	(5,069,628)	(118,316,327)	-	-	-	-	(14)	(894,821)	(110,741)	-	(42,010,321)	(10,100,000)	
* Transfer in / (out) - net	-	(20,678)	-	-	-	1,821	-	-	-	3,516,458	-	-	-	-	(1,746)	(23,803)	-	-	-	-	(42,798,288)
Closing balance	3,630	72,801	1,249,465	145,790	371	100	-	378,978	13,563,087	9,245,132	-	-	-	-	98,488	911,103	3,000	-	257,252	13,263,170	
Other Liabilities																					
Interest / mark-up payable	-	-	86,088	5,892	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Brokerage payable	-	-	5,067	-	-	-	-	-	-	-	-	-	-	-	1,139	-	-	-	-	-	-
	-	-	91,155	5,892	-	-	-	-	-	-	-	-	-	-	30,676	-	-	-	-	-	-
Contingencies and Commitments																					

-(Rupees in '000)

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

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For the year ended December 31, 2023

	2023						2022									
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Other related parties
Income																
Mark-up / return / interest earned	-	-	1,928	-	-	-	-	422,679	-	-	2,463	3,384	1	-	-	457,362
Dividend income	-	-	186,300	-	-	-	-	144,720	-	-	64,260	-	114,405	-	-	86,114
Rent income / Lighting & Power and Bank charges	-	-	21,399	6,077	-	-	-	21,027	-	-	13,903	5,533	-	-	-	-
Expense																
Mark-up / return / interest paid	292	7,496	162,076	108,007	31,505	150,743	1,844,455	297,705	-	4,846	37,931	-	20,556	477,113	1,787,633	1,686,174
Finance charges paid on lease assets to subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses paid to company in which Director of the bank is interested as CEO and director	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remuneration to key management executives including charge for defined benefit plan	-	-	-	-	-	-	-	598,462	-	-	-	-	-	-	-	79,487
Contribution for other corporate & social responsibility paid to company in which Directors of the bank is interested as director	-	-	-	-	-	-	-	-	713,790	-	-	-	-	-	-	-
Commission paid to subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000
Directors fee & other allowances	88,232	-	11,182	-	-	-	-	-	-	-	5,335	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	-	-	25,772	-	-	-	-	-	-	-

(Rupees in '000)

45.1

Transactions with Government-related entities

The Federal Government and Pakistan Sovereign Wealth Fund (PSWF) holds 75.60% (2022: Federal Government and SBP 75.60%) shares of 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. 10,320 million (2022: 10,507 million) for the year ended December 31, 2023. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 602,707 million (2022: 593,486 million), Rs. 1,622,331 million (2022: 1,403,331 million) and Rs.1,780,517 million (2022: 1,714,807 million) ,respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 77,719 million (2022: 40,225 million) and Rs. 184,042 million (2022: 199,052 million) respectively.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

46. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprise the following three capital standards:

i. Minimum Capital Requirement (MCR):

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

ii. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 11.50% (plus 2.50% for NBP as D-SIB requirement).

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. However, SBP vide its letter No. BPRD/BA&CPD/638/436708/2023 dated March 7, 2023 has reduced the minimum requirement to 2.5% up till March 2024 which was 3% as per BPRD circular No.6 dated August 15, 2013. The bank has a leverage ratio of 3.12% in the year ended December 31, 2023, (2022: 3.08%) and Tier-1 capital of Rs.283,307 Millions (2022: 231,191).

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

1. Tier 1 Capital (going-concern capital)

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

2. Tier 2 Capital (gone-concern capital)

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

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

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

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

The paid-up capital of the Bank for the year ended December 31, 2023 stood at Rs. 21,275 million (2022: Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 25.47% (2022: 21.59%).

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

	2023	2022
	------(Rupees in '000)-----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	21,275,131	21,275,131
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	283,307,166	231,190,928
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	283,307,166	231,190,928
Eligible Tier 2 Capital	93,397,166	75,036,139
Total Eligible Capital (Tier 1 + Tier 2)	376,704,332	306,227,067
Risk Weighted Assets (RWAs):		
Credit Risk	1,053,109,530	1,066,232,569
Market Risk	121,288,939	93,557,759
Operational Risk	304,450,738	258,686,736
Total	1,478,849,207	1,418,477,063
Common Equity Tier 1 Capital Adequacy ratio	19.16%	16.30%
Tier 1 Capital Adequacy Ratio	19.16%	16.30%
Total Capital Adequacy Ratio	25.47%	21.59%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	283,307,166	231,190,928
Total Exposures	9,074,435,344	7,502,352,873
Leverage Ratio	3.12%	3.08%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	1,618,093,446	1,418,328,644
Total Net Cash Outflow	918,191,522	963,197,902
Liquidity Coverage Ratio	176%	147%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	3,357,537,770	2,684,457,394
Total Required Stable Funding	1,298,306,326	1,069,401,835
Net Stable Funding Ratio	259%	251%

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

47. RISK MANAGEMENT

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

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

- Identification and assessment of significant material risks.
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite.
- Optimize risk/ return decisions by aligning them to business objective of achieving sustainable optimum growth.

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

Bank is cognizant of importance of Environmental & Social Risk Management (E&SRM). During the period under review the Bank established a specialised ESG Function placed within the Enterprise Risk Management Group (EMRG) to oversee Environment & Social Risks (E&S). Going forward, the E&S Wing manage bank's E&S risk in accordance with the regulatory requirements.

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

47.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group, i.e. separate from approvals and direct involvement in day-to-day activities. RMG reports directly to the President with a dotted line reporting to the Board Risk Committee (BRC). The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodologies and other functions assigned from time to time in line with local/ international best practices and under the supervision of SBP's regulations/ guidelines.

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

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47.2 Risk Management Framework

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

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

47.2.1 Credit Risk

Credit risk is a significant concern for banks due to the inherent nature of their core operations. With the continuous global economic crises, ongoing digitalization, and recent technological advancements, credit risk management has gained increased attention. By adopting a proactive approach and effectively managing their exposure to credit risk, banks not only ensure the sustainability and profitability of their own operations but also contribute to the stability of the overall financial system and efficient allocation of capital. Credit risk refers to the likelihood of incurring financial losses when a borrower fails to repay a loan, leading to disruptions in cash flow and higher costs for debt collection. NBP's lending activities constitute a major source of credit risk for the Bank, as it engages in various financial activities such as providing loans and advances, committing to lend, assuming contingent liabilities such as letter of credit and guarantees, and engaging in other on and off-balance sheet transactions. Under the supervision of the Board and President, the Bank has a dedicated setup headed by the Chief Risk Officer, who ensures the efficiency of credit risk assessment, measurement, review, and reporting frameworks.

Smart lending decisions can empower people and businesses to boost the bank's profitability and strategically guarding against the risks of extending credit. The effective implementation of structured assessment models, comprehensive pre-disbursement evaluation tools, and post-disbursement review systems has allowed NBP to successfully manage credit risk and mitigate losses within acceptable tolerance levels. Our risk management approach is rooted in a strategic goal to maintain a robust framework, proactively identify and address risks, and facilitate sustainable business growth. The bank has in place a Risk Appetite Framework and a Credit Risk Concentration Management Framework to set limits on credit risk exposure in relation to obligors, economic groups, and industry segments.

Risk Management function consistently conducts ongoing assessments of the credit portfolio. This involves utilizing portfolio reports and dashboards to discern borrowers and sectors that may be susceptible to the impact of changes in the local and global business and economic environment. The bank is actively monitoring delinquency in accounts, financial position of counterparties, prevailing economic situation and other pertinent information. The bank's credit review mechanism and approval process are meticulously defined and overseen by senior management. Analyzing counterparties across diverse asset classes, constitutions, and economic groups involves employing well-established rating models and scorecards, thereby enhancing decision-making processes.

The bank has actively undertaken the implementation of the IFRS 9 standard, presently in the parallel-run phase. This standard introduces a novel model for financial assets, mandating the recognition of impairment charges through the 'Expected Credit Loss' approach, departing from the existing 'Incurred Credit Loss' approach.

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Retail & Program Lending Group, manages the risk side of products governed on a program basis. It caters to products covered under RBG, IDG and AIBG businesses. Group has been organized on a Credit Cycle approach that adapts an end to end credit view. It is engaged in areas of Policy & Portfolio Management, MIS & Analytics, Credit Approvals, Collection & Recovery, Quality Assurance, etc. In addition, it works closely with other areas including Operational Risk, IT, Finance, HR, etc. Head of Group reports to CRO of the bank and is a voting member of Management Credit Committee & Enterprise Risk Committee

Credit Administration (CAD) is pivotal in overseeing the post-approval credit procedures, besides encompasses the establishment of fitting loan terms in accordance with sanctions and adherence to regulatory standards. CAD assumes a crucial role in post-approval credit management, actively contributing to portfolio expansion and granting individuals and businesses access to essential funds. Recent heightened managerial focus has further refined the efficiency of credit administration functions, emphasizing diligent monitoring and risk mitigation to sustain a robust and healthy portfolio.

Moreover, CAD is actively working to establish an improved mechanism encompassing advanced collateral management functions, control over limit functions, and effective vendor management. This initiative aims to address business requirements with a concentrated focus on CAD functions. Once the system is implemented, it is anticipated to significantly bolster the Bank's position within its peer group, reinforcing its overall strength.

Presently, the Basel Standardized Approach is employed within the Basel Framework to compute the capital charge for credit risk-weighted assets, utilizing a straightforward method for credit risk mitigation. Furthermore, stress testing for credit risk is also conducted to assess the potential impacts of scenarios outlined by the regulator.

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

47.2.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2023	2022	2023	2022	2023	2022
	----- (Rupees in '000) -----					
Public / Government	85,000,000	-	-	-	-	-
Private	107,604,587	31,446,617	174,150	174,150	174,150	174,150
	192,604,587	31,446,617	174,150	174,150	174,150	174,150

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47.2.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Cement	245,168	357,668	20,168	20,168	20,168	20,168
Chemical	326,742	326,742	326,742	326,742	326,742	326,742
Construction	2,630,239	2,962,405	1,633,739	1,633,739	1,633,739	1,633,739
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,152,560	1,330,815	1,152,563	1,330,815	1,152,559	1,199,830
Sugar	640,719	655,219	640,719	655,219	640,719	655,219
Textile	725,810	936,767	582,953	651,053	582,953	651,053
Financial	15,119,874	14,920,842	501,012	501,012	501,012	501,012
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Leather and Tanneries	5,288	5,288	5,288	5,288	5,288	5,288
Food and Personal Care Products	11,184	11,184	11,184	11,184	11,184	11,184
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology and Communication	8,348	11,072	8,348	11,072	8,348	11,072
Vanaspati and Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil and Gas Marketing	687	687	687	687	687	687
Cable and Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts and Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	29,925,996	27,692,257	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper and Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,081	7,081
Metal Products	590,000	375,000	-	-	-	-
Services	780,515	823,877	-	-	-	-
Telecom	-	300,000	-	-	-	-
Miscellaneous	23,606	464,628	23,443	23,447	23,447	23,447
	53,542,041	52,529,756	6,262,151	6,525,731	6,262,151	6,394,746

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
	26,694,858	23,536,119	18,862	18,862	18,862	18,862
Public / Government	26,847,183	28,993,637	6,243,289	6,506,869	6,243,289	6,375,884
Private	53,542,041	52,529,756	6,262,151	6,525,731	6,262,151	6,394,746

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47.2.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Agriculture, Forestry, Hunting & Fishing	98,624,179	81,429,406	7,981,816	7,362,301	5,858,554	5,713,024
Mining & Quarrying	4,953,424	3,164,044	205,554	184,765	205,554	184,765
Textile	172,772,809	165,106,735	38,746,011	37,829,886	38,590,888	36,395,069
Chemical & Pharmaceuticals	8,726,797	7,461,927	5,608,202	4,439,102	4,858,290	4,394,734
Cement	29,429,909	35,175,010	6,286,205	5,768,647	4,306,468	3,786,389
Sugar	35,723,868	39,101,616	15,237,588	15,300,589	15,237,588	15,300,589
Footwear and Leather garments	2,548,291	2,534,796	1,305,280	1,168,627	1,271,149	1,079,224
Automobile & Transportation Equipment	8,926,304	10,875,288	962,288	921,095	954,395	905,813
Electronics & Electrical Appliances	10,503,866	10,782,697	4,778,714	2,379,854	3,688,323	2,377,270
Construction	23,638,052	24,955,900	10,057,457	9,447,671	9,936,191	9,441,049
Oil & Gas	311,928,714	178,706,498	19,618,900	19,619,278	19,323,280	19,339,190
Power (electricity), Gas, Water, Sanitary	191,933,546	194,522,795	14,882,572	15,156,096	12,709,678	12,981,169
Wholesale and Retail Trade	53,130,430	53,368,839	11,827,052	10,713,337	11,630,991	10,608,043
Transport, Storage and Communication	73,230,722	57,659,125	17,134,803	14,820,738	15,080,210	12,548,074
Financial	2,874,807	14,915,038	340,098	321,443	324,146	313,343
Services	48,455,066	42,006,765	2,260,499	3,104,232	1,571,278	1,812,521
Individuals	210,381,015	203,234,728	6,900,504	6,468,807	4,318,671	4,350,012
Fertilizer	5,496,940	9,096,871	2,730,894	2,861,321	2,690,260	2,822,795
Metal Products	75,901,770	70,882,534	30,959,009	26,476,676	30,871,562	26,473,372
Telecommunication	32,954,455	30,839,889	1,312,494	1,180,028	1,104,242	1,180,028
Public Sector Commodity Operations	127,236,872	96,305,380	718,876	74,198	235,368	74,198
Rice Trading & Processing	44,913,336	35,552,848	4,541,062	4,546,743	4,361,754	4,432,434
Food and Tobacco	22,581,792	20,536,106	9,386,521	7,108,250	7,954,097	6,745,426
Glass and Ceramics	7,089,518	6,626,264	271,493	274,739	271,493	274,739
Paper & Board	3,939,798	3,063,869	576,412	1,177,882	565,726	1,168,683
Engineering	8,845,740	29,549,358	1,508,928	1,637,447	1,370,855	1,482,884
Plastic Products	3,865,916	3,305,648	1,735,045	1,507,205	1,396,225	1,157,387
Media	664,016	916,067	151,334	151,334	151,334	151,334
Flour Mills	4,409,585	2,429,206	555,705	602,291	525,782	570,451
Sports Goods	1,457,410	140,062	34,794	14,688	34,794	14,688
Surgical equipments	981,604	790,887	13,159	13,200	13,159	9,430
Others	3,565,142	3,545,008	2,196,447	2,674,955	2,158,447	2,622,734
	1,631,685,693	1,438,581,204	220,825,716	205,307,425	203,570,752	190,710,861

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
Public / Government	644,878,073	498,932,567	982,500	484,437	498,992	484,437
Private	986,807,620	939,648,637	219,843,216	204,822,988	203,071,760	190,226,424
	1,631,685,693	1,438,581,204	220,825,716	205,307,425	203,570,752	190,710,861

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47.2.1.4 Contingencies and Commitments

Credit risk by industry sector

	2023	2022
	------(Rupees in '000)-----	
Agriculture, Forestry, Hunting and Fishing	218,136	504,418
Mining and Quarrying	73,466	426,948
Textile	15,709,777	15,852,803
Chemical and Pharmaceuticals	8,405,999	3,774,815
Cement	5,949,829	3,402,417
Sugar	5,303	93,200
Footwear and Leather garments	51,827	6,262
Automobile and Transportation Equipment	2,423,164	2,712,927
Electronics and Electrical Appliances	3,509,467	2,433,354
Construction	10,408,498	9,005,223
Oil & Gas	59,322,425	67,938,534
Power (electricity), Water, Sanitary	50,934,421	59,726,777
Wholesale and Retail Trade	3,105,839	1,507,306
Transport, Storage and Communication	55,560,127	117,805,517
Financial	856,711,238	836,176,841
Services	1,512,041,370	1,532,587,528
Individuals	228,227	316,559
Fertilizer	4,832,942	3,272,384
Metal Products	23,669,700	21,853,185
Telecommunication	32,082,348	25,204,570
Public Sector Commodity Operations	3,437,431	199,543
Rice processing and Trading	358,732	459,325
Food and Tobacco	2,082,149	460,902
Glass and Ceramics	502,829	977,165
Paper and Board	2,100,963	560,047
Engineering	81,202,951	68,544,006
Plastic Products	246,351	159,060
Sports Goods	6,229	26,713
Surgical equipments	86,235	47,143
Others	532,595	1,430,774
	2,735,800,568	2,777,466,247

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

	2023	2022
	------(Rupees in '000)-----	
Credit risk by public / private sector		
Public / Government	1,708,517,452	1,775,401,082
Private	1,027,283,116	1,002,065,165
	2,735,800,568	2,777,466,247

47.2.1.5 Concentration of Advances

The bank's top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,959,515 million (2022: Rs. 1,851,158 million) are as following:

	2023	2022
	------(Rupees in '000)-----	
Funded	441,093,207	306,636,922
Non Funded	1,518,421,637	1,544,521,600
Total Exposure	1,959,514,844	1,851,158,522

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The sanctioned limits against these top 10 exposures aggregated to Rs. 2,045,103 million (2022: Rs. 1,899,110 million).

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

47.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2023						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	------(Rupees in '000)-----						
Punjab	488,630,825	487,273,108	111,328	1,246,389	-	-	-
Sindh	623,940,498	-	622,376,734	1,176,470	-	387,294	-
KPK including FATA	10,821,813	-	-	10,821,813	-	-	-
Balochistan	3,714,956	-	-	-	3,714,956	-	-
Islamabad	118,306,922	-	-	-	-	118,306,922	-
AJK including Gilgit - Baltistan	3,763,094	-	-	-	-	-	3,763,094
Total	1,249,178,108	487,273,108	622,488,062	13,244,672	3,714,956	118,694,216	3,763,094

Province / Region	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	------(Rupees in '000)-----						
Punjab	422,286,297	421,433,044	853,253	-	-	-	-
Sindh	491,891,760	826,000	489,953,056	-	500,000	612,705	-
KPK including FATA	11,459,625	-	-	11,459,625	-	-	-
Balochistan	4,073,074	-	-	-	4,073,074	-	-
Islamabad	129,737,810	-	-	-	-	129,737,810	-
AJK including Gilgit-Baltistan	7,244,799	-	-	-	-	-	7,244,799
Total	1,066,693,365	422,259,044	490,806,309	11,459,625	4,573,074	130,350,515	7,244,799

47.2.2 Market Risk

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

The Bank's market risk is managed through Market & Liquidity Risk Management Policy and Manual approved by the Board. Bank has in-place market risk limits to maintain risk emanating from such market drivers within the Bank's risk appetite. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored.

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

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

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47.2.2.1 Statement of Financial position split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
------(Rupees in '000)-----						
Cash and balances with treasury banks	294,992,570	-	294,992,570	229,910,949	-	229,910,949
Balances with other banks	42,325,051	-	42,325,051	18,593,800	-	18,593,800
Lendings to financial institutions	192,430,437	-	192,430,437	31,272,467	-	31,272,467
Investments	4,360,274,395	43,089,648	4,403,364,043	3,393,771,968	83,581,906	3,477,353,874
Advances	1,398,076,820	-	1,398,076,820	1,230,521,804	-	1,230,521,804
Fixed assets	56,974,417	-	56,974,417	57,105,842	-	57,105,842
Intangible assets	1,510,061	-	1,510,061	1,388,947	-	1,388,947
Right of use assets	6,934,471	-	6,934,471	6,708,404	-	6,708,404
Deferred tax asset	-	-	-	22,299,403	-	22,299,403
Other assets	256,099,568	-	256,099,568	165,269,056	-	165,269,056
	6,609,617,790	43,089,648	6,652,707,438	5,156,842,640	83,581,906	5,240,424,546

47.2.2.2 Foreign Exchange Risk

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

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

	2023				2022			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----								
United States Dollar	407,071,417	526,851,269	149,166,105	29,386,253	211,299,303	370,932,974	141,296,815	(18,336,856)
Great Britain Pound	4,560,991	8,045,545	8,217,517	4,732,962	3,721,821	7,473,268	5,377,060	1,625,613
Japanese Yen	5,270,516	1,265,119	2,990	4,008,387	4,506,162	1,566,256	109,675	3,049,581
Euro	11,881,678	14,678,082	5,639,911	2,843,507	11,856,401	22,030,243	14,029,417	3,855,575
Other currencies	122,811,374	63,651,435	6,779,686	65,939,626	83,196,326	17,305,795	5,066,952	70,957,483
	551,595,977	614,491,450	169,806,209	106,910,735	314,580,013	419,308,536	165,879,919	61,151,396

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
------(Rupees in '000)-----				
Impact of 1% change in foreign exchange rates				
- Profit and loss account	-	39,378	-	261,830
- Other comprehensive income	1,069,107	-	611,514	-

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47.2.2.3 Equity position Risk

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

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
------(Rupees in '000)-----				
Impact of 5% change in equity prices on				
- Profit and loss account	-	3,966	-	20,188
- Other comprehensive income	3,912,948	-	2,577,256	-

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

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

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.
- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.
- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
------(Rupees in '000)-----				
Impact of 1% change in interest rates on				
- Profit and loss account	-	402,100	-	758,615
- Other comprehensive income	20,443,787	-	17,740,339	-

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47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest rate	2023										Non-interest bearing financial instruments	
	Exposed to Yield / Interest risk											
	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial instruments	(Rupees in '000)											
Assets												
Cash and balances with treasury banks	47,429,232	-	-	-	-	-	-	-	-	-	-	247,563,338
Balances with other banks	4,009,398	3,376,854	671,770	758,450	-	-	-	-	-	-	-	33,508,579
Lendings to financial institutions	192,420,714	-	-	-	-	-	-	-	-	-	-	9,723
Investments	1,213,850,827	1,016,852,727	405,941,151	1,046,346,810	125,302,736	213,257,677	161,244,939	97,933,065	4,827,262	-	-	117,806,849
Advances	398,672,392	400,820,608	197,797,103	64,383,783	23,471,767	41,855,723	44,435,433	58,092,119	60,544,803	-	-	108,003,089
Other assets	228,424,116	-	-	-	-	-	-	-	-	-	-	226,424,116
Liabilities												
Bills payable	1,856,382,563	1,421,050,189	604,410,024	1,111,489,043	148,774,503	255,113,400	205,680,372	156,025,184	65,372,065	-	-	733,315,694
Borrowings	66,000,448	39,830,834	7,640,293	710,905	1,073,314	1,066,201	-	-	-	-	-	68,000,448
Deposits and other accounts	2,177,743,194	2,087,823,897	164,972,176	205,025,317	211,301,760	8,319,597	16,710,676	2,777,796	21,221	-	-	1,288,869,287
Lease liability against right of use assets	1,755,991,811	164,972,176	205,025,317	211,301,760	20,390,959	8,319,597	16,710,676	2,777,796	-	-	-	-
Other liabilities	8,264,782	972	4,534	31,018	160,978	596,179	1,095,456	1,759,513	4,127,708	488,424	-	338,025,085
On-balance sheet gap	6,266,392,898	3,843,816,680	204,807,544	212,696,628	212,173,643	22,060,452	10,481,254	25,028,723	39,923,499	509,645	-	1,694,894,830
Off-balance sheet financial instruments	291,220,139	(1,987,434,117)	1,216,242,645	391,713,396	899,315,400	126,714,051	244,632,146	180,657,649	116,101,685	64,862,420	(961,579,136)	-
Documentary credits and short-term trade-related transactions	1,633,847,479	-	-	-	-	-	-	-	-	-	-	1,633,847,479
Commitments in respect of:												
- Forward foreign exchange contracts	169,806,209	60,702,960	87,931,586	21,171,663	-	-	-	-	-	-	-	-
- Forward government securities transactions	(4,332,657)	-	-	(658)	(658)	-	-	(2,908,182)	(1,423,817)	-	-	-
- Forward lending	44,432,555	-	-	-	-	-	-	-	-	-	-	44,432,555
Commitments for acquisition of:												
- fixed assets	1,129,442	-	-	-	-	-	-	-	-	-	-	1,129,442
- other commitments	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	1,844,883,028	60,702,960	87,931,586	21,171,663	(658)	-	-	(2,908,182)	(1,423,817)	-	-	1,679,409,476
Total Yield / Interest Risk Sensitivity Gap	(1,926,731,157)	1,304,174,231	412,885,059	899,314,742	126,714,051	244,632,146	177,743,467	114,677,868	64,862,420	717,830,340	-	-
Cumulative Yield / Interest Risk Sensitivity Gap	(1,926,731,157)	(622,556,926)	(209,671,867)	689,642,875	816,356,926	1,060,989,072	1,238,732,539	1,353,410,407	1,418,272,827	2,136,103,167	-	-

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Effective Yield / Interest rate		Exposed to Yield / Interest risk										Non-interest bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
------(Rupees in '000)-----												
On-balance sheet financial instruments												
Assets												
	1.6%	229,910,949	19,349,334	-	-	-	-	-	-	-	-	210,561,615
Cash and balances with treasury banks												
Balances with other banks	5.5%	18,593,800	3,235,004	1,613,059	556,760	797,970	-	-	-	-	-	12,391,007
Lendings to financial institutions	16.2%	31,272,467	31,282,744	-	-	-	-	-	-	-	-	9,723
Investments	13.2%	3,477,353,874	62,351,086	1,495,013,190	544,869,800	198,775,210	121,415,872	114,581,645	175,991,374	115,774,778	7,150,694	82,430,225
Advances	10.4%	1,230,521,804	324,286,274	280,091,474	173,744,248	165,864,406	25,730,493	43,725,218	66,856,032	53,927,228	31,850,855	64,445,576
Other assets	0.0%	126,996,148	-	-	-	-	-	-	-	-	-	126,996,148
		5,114,649,042	999,484,442	1,776,177,723	719,170,808	365,437,586	147,146,365	158,306,863	242,847,406	169,702,006	39,001,549	496,834,294
Liabilities												
Bills payable	0.0%	55,268,019	-	-	-	-	-	-	-	-	-	55,268,019
Borrowings	15.8%	1,940,485,787	1,386,983,999	481,134,339	24,758,723	4,359,766	3,941,769	4,278,460	12,396,285	22,578,300	44,146	-
Deposits and other accounts	7.9%	2,666,184,360	1,693,194,904	56,331,841	143,645,001	62,752,364	87,857,931	21,560,944	14,533,213	1,997,543	-	584,260,619
Lease liability against right of use assets	10.4%	8,267,949	50	21,308	60,618	179,606	416,971	1,016,832	1,904,041	2,978,296	1,680,227	-
Other liabilities	0.0%	266,726,818	-	-	-	-	-	-	-	-	-	266,726,818
		4,936,932,933	3,080,188,953	537,487,488	168,464,342	67,291,736	92,216,671	26,856,236	28,893,539	27,554,139	1,734,373	906,255,456
On-balance sheet gap		177,716,109	(2,080,704,511)	1,239,230,235	550,706,466	298,145,850	54,929,695	131,450,627	213,953,867	142,147,867	37,267,176	(409,421,163)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,696,635,726	-	-	-	-	-	-	-	-	-	1,696,635,726
Commitments in respect of:												
- forward foreign exchange contracts		165,879,918	78,713,612	62,008,252	25,158,054	-	-	-	-	-	-	-
- forward government securities transactions		(32,591,580)	(32,591,580)	-	-	-	-	-	-	-	-	-
- Forward lending		50,363,949	-	-	-	-	-	-	-	-	-	50,363,949
Commitments for acquisition of:												
- fixed assets		798,234	-	-	-	-	-	-	-	-	-	798,234
- other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,881,086,247	46,122,032	62,008,252	25,158,054	-	-	-	-	-	-	1,747,797,909
Total Yield / Interest Risk Sensitivity Gap		(2,034,582,479)	1,301,238,487	575,864,520	298,145,850	54,929,695	131,450,627	213,953,867	142,147,867	37,267,176	1,338,376,746	
Cumulative Yield / Interest Risk Sensitivity Gap		(2,034,582,479)	(733,343,992)	(157,479,473)	(140,666,377)	195,596,073	327,046,700	541,010,567	683,158,434	720,425,610	2,058,802,356	

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2023	2022
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------(Rupees in '000)-----

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

Total Financial Assets as per note 47.2.2.5	6,557,613,037	5,114,649,042
Add: Non-Financial Assets		
Fixed Assets	56,974,417	57,105,842
Intangible Assets	1,510,061	1,388,947
Right of Use Assets	6,934,471	6,708,404
Deferred Tax Assets	-	22,299,403
Other Assets	29,675,452	38,272,908
	95,094,401	125,775,504
Total assets as per statement of financial position	6,652,707,438	5,240,424,546
Total Financial Liabilities as per note 47.2.2.5	6,266,392,898	4,936,932,933
Add: Non-Financial Liabilities		
Deferred Tax Liabilities	720,183	
Other Liabilities	2,838,764	2,643,854
Total liabilities as per statement of financial position	6,269,951,845	4,939,576,787

47.2.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. For effective implementation, bank has comprehensive Operational Risk Management (ORM) Framework and procedure documents. These documents provide guidance for setting up operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

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

Further, the Bank has adopted an Operational Risk Management Policy Framework and Operational Risk Appetite are approved by the Board in-line with Basel framework and Bank's policy, respectively. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries and Groups/Divisions at head office are responsible to report operational losses under their jurisdictions on immediate basis. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis. Risk Evaluation exercise is carried out for new products, processes and systems as per the ORM procedures document of the bank.

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

Moreover, the Bank closely monitored overall bank's operational environment and undertook required actions to ensure the safety and security of Bank staff, assets and maintenance of service to its customers. The Bank continued to take measures to ensure maintenance of their service levels and resolved customer complaints to meet the expectations of its stakeholders.

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

47.2.4 Information Security Risk

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

As first line of defense, the Business groups have primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. Our staff of Information Security Division (ISD) is second line of defense against any cyber risks. Therefore, the Bank regularly assesses the information security controls and undertakes employees' awareness and trainings. The Bank works with its key technology partners to ensure that potentially vulnerable systems are identified and appropriate fixes & controls are implemented to secure the systems. The Bank is actively communicating with its customers on interacting with the Bank in a secure manner through its full suite of channels including online and digital banking.

Over the span of last two years, the Bank has taken various initiatives to uplift the cyber security controls. The management is cognizant of the fact that cyber security is a top priority risk and the Bank is taking appropriate steps to monitor and respond to it. The Information Security Division (ISD) has been reorganized in 2022 with introduction of new technical roles of IS Security Operations & Threat Management, Network & Infrastructure Security, and Application & Database Security; in addition to the management roles of IS Governance & Compliance, IS Program Management, and IS Risk Management. The unit (ISD) works under the supervision of Chief Information Security Officer (CISO). Numerous steps have been taken by the Bank to identify cyber security weaknesses of systems & infrastructure. Several controls are in place including but not limited to 24/7 SOC, 2FA authentication of VPN connections, Kaspersky EPP and KATA XDR, IBM QRadar SIEM upgrade, Guardium for Database security, Resilient for IR playbooks etc. in line with the action plan outlined in the Bank's cyber security management framework. In addition to these, numerous other initiatives and projects are in line for further enhancement of bank's cyber security for years 2024 and 2025.

47.2.5 Enterprise-wide Risk

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

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

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Bank's Stress-testing framework, comprises of tools, to deliver a timely assessment of the resilience of the Bank's capital under stressed conditions to the senior management. It ranges from simple sensitivity analysis to sophisticated stress testing methods to capture the abnormal movement of market and economic indicators and to translate such scenarios into projections of Bank's profitability, liquidity and capital planning.

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

47.2.6 Liquidity Risk

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

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

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

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2022

Total Upto 1 Day Over 1 to 7 days Over 7 to 14 days Over 14 days to 1 Month Over 1 to 2 Months Over 2 to 3 Months Over 3 to 6 Months Over 6 to 9 Months Over 9 months to 1 year Over 1 to 2 years Over 2 to 3 years Over 3 to 5 Years Over 5 Years

(Rupees in '000)

Assets

Cash and balances with treasury banks	229,910,949	898,000	898,000	1,383,223	-	-	-	-	-	-	-	-	-
Balances with other banks	18,593,800	12,404,772	2,036,159	1,131,200	666,169	556,760	797,970	-	-	-	-	-	-
Lending to financial institutions	31,272,467	9,723	30,484,537	-	-	-	-	-	-	-	-	-	-
Investments	3,477,353,874	5,642,931	3,022,008	3,740,930	186,814,863	406,565,250	398,517,150	177,535,218	599,374,146	756,921,831	458,210,559	257,219,533	-
Advances	1,230,521,804	395,617,066	4,058,283	41,934,580	66,304,945	117,851,616	66,796,248	61,478,106	70,627,513	64,102,093	125,183,386	183,644,203	-
Fixed assets	57,105,842	-	-	-	-	-	-	767,650	1,847,737	767,649	1,305,721	52,417,085	-
Intangible assets	1,388,947	-	-	-	-	-	-	462,982	462,982	462,983	-	-	-
Right of Use Assets	6,708,404	-	-	74	16,055	611	104,470	74,851	374,173	844,718	1,550,294	3,684,462	-
Deferred tax assets	22,299,403	-	-	-	-	-	-	-	-	-	22,299,403	-	-
Other assets	165,269,056	40,601,665	-	-	35,063,661	35,453,086	1,555,796	1,555,796	29,327,589	688,171	1,032,256	1,376,342	-
	5,240,424,546	681,905,683	40,498,987	48,190,007	288,865,613	462,802,131	467,771,634	241,874,603	702,614,140	823,787,445	609,581,619	498,341,625	-

Liabilities

Bills payable	55,268,019	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,940,465,787	181,510	904,900,208	475,809,616	332,601,654	148,532,685	2,260,017	2,099,748	3,941,769	4,278,460	12,396,285	22,622,447	-
Deposits and other accounts	2,666,184,360	2,143,888,138	29,194,099	89,432,643	35,181,791	20,960,861	43,116,055	19,694,451	87,856,473	21,567,400	14,583,213	1,997,542	-
Liabilities against assets subject to right of use assets	8,267,949	-	-	50	20,865	443	70,232	109,374	416,971	1,016,832	1,904,041	4,668,523	-
Other liabilities	269,370,672	141,944,504	13,465	31,684	11,407,909	11,393,698	2,106,131	2,106,131	24,159,069	9,893,832	19,220,510	18,801,860	-
	4,939,576,787	2,341,282,171	934,007,772	565,273,993	379,212,219	180,887,687	47,552,435	24,009,704	116,374,282	36,756,524	48,104,049	48,090,372	-
Net assets	300,847,759	(1,659,376,288)	(893,508,785)	(517,083,986)	(90,346,606)	281,914,444	420,219,199	217,864,899	586,239,858	787,030,921	561,477,570	450,251,253	-

Share capital	21,275,131
Reserves	64,144,050
Unappropriated profit	172,511,676
Surplus on revaluation of assets	42,916,902
	<u>300,847,759</u>

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

47.2.7 Derivative Risk

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

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

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

48. GENERAL

48.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements, wherever necessary, to facilitate comparison and better presentation. No significant reclassifications have been made during the current year.

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

49. DATE OF AUTHORISATION FOR ISSUE

The unconsolidated financial statements were authorised for issue on February 22, 2024 by the Board of Directors of the Bank.



Chairman President / CEO Chief Financial Officer Director Director

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2023

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Total	Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total					
	2	3	4	5	6	7	8	9	10	11	12	
1	Harum Textile Mills Ltd. 98 B, New Muslim Town, Lahore	Ch. Naeem Gulzar 35202-3020481-3 Ch. Mazhar Shakeel Bhatti 34603-6324577-9 Mrs. Shakeela Naeem 35202-3263963-8 Mr. Gul Riaz Bhatti 34603-3801110-1 Mrs. Rehana Abbas 35202-2463452-8 Mrs. Seerat Zainat Bhatti 34603-5410998-9 Mr. Waheed Akhtar 34601-2837420-9	Gulzar Muhammad Anayatullah Bhatti Naeem Gulzar Anayatullah Bhatti Ghulam Abbas Mushtaq Haq Nawaz Muhammad Iqbal Tahir	295,572	44,776	285,583	625,931	-	-	285,531	285,531	
2	Adil Textile Mills Ltd. 156 N, Model Town Lahore	Adil Mehmood 35202-2700320-3 Nusrat Azhar 35202-5065994-6 Zulfiqar Haider 35404-1585958-7 Saqib Meqsood 35200-1497387-5 Shahid Qureshi 35200-1504083-7	Mehmood Saqib M. Mustafa Allah Ditta Meqsood Ahmad Ghulam Muhammad Qureshi	147,301	52,845	-	200,146	-	-	16,936	16,936	
3	Eden Housing Ltd. Eden Tower M 3, 82 -E/1 Main Boulevard Gulberg III Lahore	Muhammad Amjad 35202-7697311-7 Anjum Amjad 35202-2228505-4 Syed Mussarat Hussain Naqvi 35202-5668485-1	Ch. Ghulam Hussain Muhammad Amjad Syed Najam ul Hassan Naqvi	352,393	160,634	152,596	665,623	-	-	86,800	86,800	

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

S. No.	Name & Address of the borrower	Name of individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
4	M/s. Tharparkar Sugar Mills Limited (TSMU) Near Ansar Sugar Mill, Moya Road Matti	Syed Imtiaz Ali Shah 44103-2975179-7 Syed Irfan Ali Shah 44103-4745570-5 Syed Irshad Ali Shah 42501-5421979-9	Ghulam Haider Shah Ghulam Haider Shah Mohammad Ali Shah	225,538	91,461	-	316,999	-	91,461	91,461	
5	Master Rice Mill, Near Ansar Sugar Mill, Moya Road Matti	Kneesaal Mal 41207-1069423-9 Leela Ram 41207-2433189-9	Warsi Mal Warsi Mal	47,170	2,411	36,777	86,358	-	23,453	23,453	
6	Ms Clifton Industry Shalab Ghara near Railway Crossing , Sialkot	Hariz Bilal tahir 34603-211701-1 Hassan Tahir 34603-7087782-1	Tahir Mahmood	8,918	-	1,855	10,773	-	573	573	
7	Mycal Kosoky Road, Mohallah West, Christian Colony, Halizabad	Mycal 34301-3642376-3	Sharif Masih	550	-	1	551	550	-	1	
8	Mushaq Ahmad S/o Nawazish Ali H.No.766, Ward # 8/17, Old Nankana Sahib, Dist: Nankana Sahib	Mushaq Ahmad 35402-1931411-7	Nawazish Ali	701	-	65	766	701	-	65	
9	M/s Jawad and Co Ghalla Mandi Gharbi, Halizabad	Syed Hassan Raza 34301-7868277-9 Syed Shabbir Hussain Shah 34302-7851864-9	Syed Anwaar Hussain Sherazi Bahawal Sher	2,425	3,614	350	6,389	-	857	857	
10	Khushai Khan Goharabad PO Hattain Bala, Tehsil & Distt: Hattain Bala, AJK	Khushai Khan 61101-1918367-1	Muhammad Sharif	561	-	-	561	561	-	561	
11	Ziauddin S/o Hakim Din Harayyla Gujran PO Ghari Dopatta, Muzaffarabad AJK	Ziauddin 82203-6730841-1	Hakim Din	507	-	-	507	507	-	507	
12	Raja Farooque Asghar Ward No. 03, Mohallah Sundgali, Muzaffarabad.	Raja Farooque Asghar 82203-9900372-5	Raja Muhammad Asghar	1,060	-	13	1,073	1,060	-	13	

Rs. in 000

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

S. No.	Name & Address of the borrower	Name of individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
13	Javeed Ahmed Muhallah Bais Colon, Larkana	Javeed Ahmed 43202-0825825-9	Muhammad Alam Khokhar	964	-	-	964	-	-	964	
14	Nagar Ali Village Wandh Saboo, Karlo Taluka Ratodero, Distt: Larkana	Nagar Ali 43205-7523677-1	Allah Rakho Mangnep	587	-	-	587	-	-	587	
15	Ghulam Hussain Muhallah Hassan Pur Taluka Ratodero, Distt: Larkana	Ghulam Hussain 43205-4716171-7	Muhammad Siddique Bhutto	641	-	-	641	-	-	641	
16	Sharafuddin Jatoi Airport Road Muhalla Alahabad, Distt: Larkana	Sharafuddin Jatoi 43203-4239556-5	Abdul Qadir Jatoi	968	-	-	968	-	-	968	
17	Ghulam Ali Village Baradi Sario, PO Begi, Distt: Larkana	Ghulam Ali 43201-3788893-1	Abdul Rahim Channo	748	-	-	748	-	-	748	
18	Syed Fazal Shah Madrasa Mohalla Khandkot Taluka Kandhkot Distt Kashmoite	Syed Fazal Shah 43103-3985114-5	Syed Muhammad Ismail Shah	1,029	-	-	1,029	-	-	1,029	
19	Late Abdul Rasheed Bhatti Muhalla, Old Saeedar, Tehsil Garhi Yasin Distt: Shikarpur	Late Abdul Rasheed 43304-7949750-9	Khan Muhammad	813	-	-	813	-	-	813	
20	Muhammad Adam New Colony Ward No.01, Taluka Johi	Muhammad Adam 41202-2400875-3	Muhammad Khan Babar	762	-	-	762	-	-	762	
21	Nazir Hussain Wadi Wafni, PO Dokri Khairwah, Taluka Dokri	Nazir Hussain 43201-3205833-7	Gul Muhammad Soomro	567	-	-	567	-	-	567	
22	Munawar Ali Muhalla Noorani Baclah, Taluka & Distt: Larkana	Munawar Ali 43201-5620272-3	Sajawal Khan Jajo	501	-	-	501	-	-	501	
23	Late Muhammad Ali Village Bukhsboo Meejli, Tai: Garhi Yasin	Late Muhammad Ali 43301-9249271-3	Amir Bux	618	-	-	618	-	-	618	
24	Irshad Ahmed Muhalla New Nazar City, Distt: Larkana	Irshad Ahmed 43203-1357034-5	Muhammad Hassan Dayo	903	-	-	903	-	-	903	
25	Mubarak Ali Muhallah Ruhul Khan Bugti, Village Meitho Dero	Mubarak Ali 43203-2836828-5	Makan Khan Bugti	1,004	-	-	1,004	-	-	1,004	
26	Amir Bux Haji Latif Shah Sindh Wan Road, Shikarpur	Amir Bux 43304-9698653-3	Hussain Bux	867	-	-	867	-	-	867	
27	Late Abdul Hameed Village Hajana, Distt: Shikarpur	Late Abdul Hameed 43304-0595038-1	Fateh Ali Hajano	568	-	-	568	-	-	568	
28	Nazakat Ali PO Rangar Muhalla Radhan Station Taluka Mehrar	Nazakat Ali 41205-6653835-5	Faqir Muhammad Khaskheili	852	-	-	852	-	-	852	
29	QudratUllah Village Haji Abdul Karim Jagrani	QudratUllah 43103-5595015-9	Abdul Kareem	611	-	-	611	-	-	611	
30	Ghulam Akbar Street sanch PO Ratodero Taluka Ratodero Distt Larkana	Ghulam Akbar 43205-8762110-1	Khawand Dino	959	-	-	959	-	-	959	
31	Bhag Chand Muhalla Maaraj Ramchand Haveli PO ratodero Dist Larkana	Bhag Chand 43205-3665745-9	Heera Nand	695	-	-	695	-	-	695	
32	Qurban Ali Village Karant taluka Dokri	Qurban Ali 43201-7182377-1	Muhammad Ishaque Soomro	517	-	-	517	-	-	517	
33	Ali Hyder Shaikh Muhalla, Nasirabad	Ali Hyder 43207-6130872-5	Muhammed Khan	732	-	-	732	-	-	732	
34	Ghulam Sarwar Bus Stand Muhalla, Laksi	Ghulam Sarwar 43303-9814115-7	Plyaro	740	-	-	740	-	-	740	
35	Ghulam Rasool Village Haji Dhani Bux, Mashori, P.O. Noushoro Feroz	Ghulam Rasool 45304-8942645-9	Punhoo Khan	636	-	-	636	-	-	636	
36	Ali Asghar Utho Village Muhammad Khan Utho Taluka Qazi Ahmed Distt: Shaheed Benazir Abad	Ali Asghar Utho 45402-0926307-5	Muhammad Umar	572	-	-	572	-	-	572	

Rs. in 000

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

S. No.	Name & Address of the borrower	Name of individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
37	Muhammad Umer H.NO 27-28 Mohalla Fateh Town, Eid Gah Road, Mirpurkhas	Muhammad Umer 44103-4920760-3	AllaUddin	514	-	-	514	-	-	514	
38	Musheer Ahmad Kivri, PO Bahadurpur, Tehsil Sadigabad, Dist: Rahimyar Khan	Musheer Ahmad 31304-0683164-7	Wali Dad	523	-	-	523	-	-	523	
39	Rafaqat Masih S/o Saeed Masih Street # 3, Abu Al Hasan Colony, Rahim Yar Khan	Rafaqat Masih 31303-7078874-9	Saeed Masih	504	-	-	504	-	-	504	
40	Shabbir Ahmad Nadeem Tal.Garh, Tehsil & Dist Rahimyar Khan	Shabbir Ahmad Nadeem 31303-2370563-3	Fakhar Uddin	562	-	2	564	-	2	564	
41	Muhammad Abdul Mujtaba H. No. 03, Muhalla Pir Manan, Uchsharif, District Bahawalpur.	Muhammad Abdul Mujtaba 31201-0313186-7	Muhammed Abdullah	1,032	-	-	1,032	-	-	1,032	
42	Muhammad Tariq H#53/D Mohalla Munshian Bannu	Muhammad Tariq 11101-0631524-1	Nabi Bakhs	587	-	-	587	-	-	587	
43	Said Nawaz Khan Akhundand Landidak, PO Miyan, Bannu	Said Nawaz Khan 11101-5954241-3	Sher Daraz Khan	599	-	-	599	-	-	599	
44	Nasir Mehmood Mangoke P/o Same Tehsil Nowshera Virkan District Gujranwala	Nasir Mehmood 34103-4394533-1	Ameer Din	820	-	-	820	-	-	820	
45	Muhammad Akram St. 06 Barkat Colony PO Climax Gujranwala	Muhammad Akram 34101-9711636-5	Ali Hassan	962	-	-	962	-	-	962	
46	Rashid Ali Aziz Near Railway Colony, Piran Ghalib, P/O Wapda Colony, Multan	Rashid Ali Aziz 36302-0401119-9	Abdul Aziz	651	-	-	651	-	-	651	
47	Haq Nawaz Chak KikarWala, PO Khaas, Jhok Yaince, Multan	Haq Nawaz 36302-3736785-5	Muhammed Bux	586	-	-	586	-	-	586	
48	Niaz Hussain H. NO 889/F/O Mohalla Tibi Sher Khan Multan	Niaz Hussain 36302-0418840-1	Manzoor Hussain Bhatti	657	-	-	657	-	-	657	
49	M/S Sahnawal Trading Coporation Citizen Market Chowk Dera Adkla Multan	Muhammad Zahid Iqbal (Deceased), 36302-4255478-1	Muhammacd Ali	389	2,148	180	2,717	-	817	817	
50	Liaqat Ali P/O I-SP Wasaywala PO Same Tehsil Deepalpur	Liaqat Ali 35301-1903769-7	Muhammad Manzoor	528	-	-	528	-	-	528	
51	Muhammad Jahangir P/O I-SP Wasaywala PO Same Tehsil Deepalpur	Muhammad Jahangir 35301-7560230-7	Muhammad Boota	833	-	-	833	-	-	833	
52	Atia Ullah Shah Resident of Muhallah Saidean, Tindo Dag Dist Swat	Atia Ullah Shah 15602-0464193-5	Ahmed Shah	545	-	-	545	-	-	545	
53	Aslam Zeb Resident of Bara Drushkhele Dist Swat	Aslam Zeb 15601-0131249-5	Mian Gul	532	-	-	532	-	-	532	
54	Muhammad Hussain Resident of Muhallah Chitor, Saidu, Sharif Dist Swat	Muhammad Hussain 156023911465-3	Alamgir	517	-	-	517	-	-	517	
55	Fazal Ilaahi Karnagara, Navikali, PO Sarian Bala Dir-L	Fazal Ilaahi 15302-5913190-1	Ghawal	938	-	-	938	-	-	938	
56	Ijaz Hussain Tahir Chak Malka Wala, PO Qadriabad Karnwah, Veriari.	Ijaz Hussain Tahir 36603-2786639-5	Ahmad Yar	926	-	-	926	-	-	926	
57	Muhammad Arshad Munir Guljust Colony, Multan	Muhammad Arshad Munir 36502-3768116-7	Muhammad Munir	11,920	4,988	88	16,996	-	501	501	
58	Arshad Masih Mohallah Rasoolpura, Malisi	Arshad Masih 36602-6831987-9	Munshi Masih	572	-	-	572	-	-	572	
59	Zaheer Ahmed Village Shahmeer Rahoo, Talika Saeed Abad, District Mallari.	Zaheer Ahmed 41301-6676925-3	Muhammed Dawood	661	-	-	661	-	-	661	
60	Muhammad Janjil Block 5-A, PWD, H. No. 15, Street No.17, Sector G-9, Islamabad	Muhammad Janjil 61101-4573281-3	Muhammad Habb	658	-	-	658	-	-	658	

Rs. in 000

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

S. No.	Name & Address of the borrower	Name of individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year			Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others				
61	Mir Muhammed	Mir Muhammed 42201-5952626-7	Ghulam Hyder	760	-	-	760	-	-	760
62	Ghulam Murtaza H. No.12, Street No. 49-A, Itehad Colony, Tajpura Road, Ghaziabad, Lahore.	Ghulam Murtaza 35201-5875266-1	Muhammed Boota	610	-	-	610	-	-	610
63	Raqeef Khan House No. H-37, Staff Colony, Mirpur AK	Raqeef Khan 81302-1703271-1	Abdul Rasheed	676	-	-	676	-	-	676
64	Ziarat Gul Police Hospital Cantt. Police Lines.	Ziarat Gul 17301-1355176-7	Azeem Khan	526	-	-	526	-	-	526
65	Zahoor Ahmed Chagar Matti Peshawar	Zahoor Ahmed 17301-5161490-7	Sher Muhammed	655	-	-	655	-	-	655
66	Raja Muhammed Saleem Street No. 02, Muhlala Model Town Bhalwal, District Sargodha.	Raja Muhammed Saleem 38401-7113926-3	Muhammed Ameen	510	-	4	510	-	4	514
67	Muhammed Hanif Village Mari, P.O Mando Dero, Taluka Rohri, District Sukkur.	Muhammed Hanif 45502-2866977-3	Muhammed Dawood Shaikh	586	-	-	586	-	-	586
68	Ghulam Abbas Village Ali Muhammed Mangrio, Talka Bhiya City, Lakha Road, District Nausharo, Feroz.	Ghulam Abbas 45301-0588939-7	Allah Yar Awan	824	-	-	824	-	-	824
69	IE Khan Gailina Sargeevna, 50-Pushkina Street, Novapakrovka village, Bishkek	Khan Gailina Sargeevna 1919566	Khan Muhammad Zahid	20,990	-	2,672	23,662	2,672	-	10,891
70	Aygun Adil Bahamova (grocery store on Agha Neymatulla Street, Baku)	Aygun Bahamova 01935360	Adil	-	2,304	232	2,536	2,304	232	2,536
71	Mirzayeva Bahar Amirsultan Giz (car repair shop on Sharifzade Street, Yasamal district)	Mirzayeva Bahar 08174034	Amirsultan Giz	-	556	40	596	556	40	596
				1,153,703	365,737	480,458	1,999,897	5,532	507,286	562,124

Rs. in 000

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

ISLAMIC BANKING BUSINESS

The bank is operating 188 (2022: 188) Islamic banking branches and 150 (2022: 50) Islamic banking windows as at December 31, 2023.

	2023	2022
ASSETS		
	------(Rupees in '000)-----	
Cash and balances with treasury banks	10,248,305	6,096,555
Balances with other banks	43,076	13,766
Investments	51,544,718	53,920,119
Islamic financing and related assets - net	73,125,189	46,380,996
Fixed assets	70,902	87,489
Right of use assets (ROUA)	640,166	508,977
Other assets	4,488,184	2,294,054
Total Assets	140,160,540	109,301,956
LIABILITIES		
Bills payable	477,959	1,210,608
Deposits and other accounts	113,801,806	93,591,714
Due to Head Office	12,960,028	4,005,715
Lease liability against right of use assets	811,291	721,152
Other liabilities	2,249,195	1,490,182
	130,300,279	101,019,371
NET ASSETS	9,860,261	8,282,585
REPRESENTED BY		
Islamic Banking Fund	6,731,000	5,561,000
Surplus / (Deficit) on revaluation of assets	(400,216)	424,444
Unappropriated / unremitted profit	3,529,477	2,297,141
	9,860,261	8,282,585
CONTINGENCIES AND COMMITMENTS		

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2023 is as follows:

	2023	2022
	------(Rupees in '000)-----	
Profit / return earned	21,584,554	12,661,168
Profit / return expensed	(13,764,527)	(7,600,260)
Net Profit / return	7,820,027	5,060,908
Other income		
Fee and Commission Income	317,707	317,961
Foreign Exchange Income	61,765	155,195
Other Income	50	2,025
Total other income	379,522	475,181
Total Income	8,199,549	5,536,089
Other expenses		
Operating expenses	(3,496,250)	(3,050,827)
Other charges	(220)	(374)
Total other expenses	(3,496,470)	(3,051,201)
Profit before provisions	4,703,079	2,484,888
Provisions and write offs - net	(1,173,602)	(187,747)
Profit before taxation	3,529,477	2,297,141
Taxation	-	-
Profit after taxation	3,529,477	2,297,141

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
1 Investments by segments:	------(Rupees in '000)-----							
Federal Government Securities:								
-Ijarah Sukuks	34,601,068	-	(726,606)	33,874,462	33,648,948	-	(339,589)	33,309,359
Non Government Debt Securities								
-Listed	7,800,000	-	287,176	8,087,176	8,200,000	-	303,132	8,503,132
-Unlisted	9,674,673	(130,807)	39,214	9,583,080	11,777,533	(130,807)	460,901	12,107,628
	17,474,673	(130,807)	326,390	17,670,256	19,977,533	(130,807)	764,033	20,610,760
Total Investments	52,075,741	(130,807)	(400,216)	51,544,718	53,626,481	(130,807)	424,444	53,920,119

	Note	2023	2022
		------(Rupees in '000)-----	
2 Islamic financing and related assets			
Ijarah	2.1	13,749	38,208
Murabaha	2.2	3,291,932	1,713,901
Running Musharaka		30,500,000	-
Diminishing Musharaka		19,357,928	22,062,256
Istisna		705,500	-
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advance for Murabaha		-	2,127,000
Advance for Diminishing Musharaka		113,086	100,894
Advance for Istisna		8,850,972	9,396,236
Inventories against Istisna		3,342,628	3,097,800
Gross Islamic financing and related assets		74,675,795	47,036,295
Less: provision against Islamic financings			
- Specific		(913,875)	(654,980)
- General		(636,731)	(319)
		(1,550,606)	(655,299)
Islamic financing and related assets - net of provision		73,125,189	46,380,996

2.1 Ijarah

	2023						Book Value as at December 31, 2023
	Cost			Depreciation			
	At January 01, 2023	Additions / (deletions)	As at December 31, 2023	At January 01, 2023	Charge/ Adjustment for the year	As at December 31, 2023	
Plant & Machinery	63,474	-	59,828	50,820	-	47,449	12,379
	-	(3,646)	-	-	(3,371)	-	-
Vehicles	168,680	-	6,000	143,126	1,065	4,630	1,370
	-	(162,680)	-	-	(139,561)	-	-
Total	232,154	-	65,828	193,946	1,065	52,079	13,749
		(166,326)			(142,932)		

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

2022							Book Value as at December 31, 2022
Cost			Accumulated Depreciation				
As at January 01, 2022	Additions / (deletions)	As at December 31, 2022	As at January 01, 2022	Charge/ Adjustment for the year	As at December 31, 2022		
------(Rupees in '000)-----							
Plant & Machinery	245,257	-	63,474	207,075	25,228	50,820	12,654
		(181,783)			(181,483)		
Vehicles	209,727	-	168,680	152,834	28,725	143,126	25,554
		(41,047)			(38,433)		
Total	454,984	-	232,154	359,909	53,953	193,946	38,208
		(222,830)			(219,916)		

Future Ijarah payments receivable

	2023				2022			
	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
------(Rupees in '000)-----								
Ijarah rental receivables	1,460	-	-	1,460	36,438	9,802	-	46,240

		2023	2022
		------(Rupees in '000)-----	
2.2	Murabaha		
	Murabaha financing	2.2.1 3,291,932	1,713,901
	Advances for Murabaha	-	2,127,000
		3,291,932	3,840,901
2.2.1	Murabaha receivable - gross	2.2.2 3,409,195	1,868,953
	Less: Deferred murabaha income	2.2.4 31,040	73,359
	Less: Profit receivable shown in other assets	86,223	81,693
	Murabaha financings	3,291,932	1,713,901
2.2.2	The movement in Murabaha financing during the year is as follows:		
	Opening balance	1,868,953	982,249
	Sales during the year	11,165,657	12,721,419
	Adjusted during the year	9,625,415	11,834,715
	Closing balance	3,409,195	1,868,953

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

		2023	2022
------(Rupees in '000)-----			
2.2.3	Murabaha sale price	11,165,657	12,721,419
	Murabaha purchase price	10,750,858	12,234,017
		414,799	487,402
2.2.4	Deferred murabaha income		
	Opening balance	73,359	25,980
	Arising during the year	402,591	487,539
	Less: Recognised during the year	(444,910)	(440,160)
	Closing balance	31,040	73,359

3	Deposits	2023			2022		
		In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Note		------(Rupees in '000)-----					
	Customers						
	Current deposits	23,153,680	185,921	23,339,601	20,491,314	167,871	20,659,185
	Savings deposits	56,721,533	-	56,721,533	41,254,385	-	41,254,385
	Term deposits	16,261,024	-	16,261,024	15,137,438	-	15,137,438
		96,136,237	185,921	96,322,158	76,883,137	167,871	77,051,008
	Financial Institutions						
	Current deposits	1,879,123	-	1,879,123	354,951	-	354,951
	Savings deposits	15,071,912	-	15,071,912	14,114,989	-	14,114,989
	Term deposits	528,613	-	528,613	2,070,766	-	2,070,766
		17,479,648	-	17,479,648	16,540,706	-	16,540,706
	3.2	113,615,885	185,921	113,801,806	93,423,843	167,871	93,591,714

		2023	2022
------(Rupees in '000)-----			
3.1	Composition of deposits		
	- Individuals	54,111,171	45,084,725
	- Government / Public Sector Entities	23,779,916	23,311,046
	- Banking Companies	2,338,737	773,228
	- Non-Banking Financial Institutions	15,140,911	15,767,478
	- Private Sector	18,431,071	8,655,237
		113,801,806	93,591,714

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 55,033 million (2022: Rs. 47,134 million).

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

		2023	2022
Note		------(Rupees in '000)-----	
4	Charity Fund		
	Opening Balance	203	64
	Additions during the period		
	Received from customers on account of delayed payment	9,067	286
	Profit on charity saving account	99	3
		9,369	353
	Payments / utilization during the period		
	Education	1,500	-
	Health	1,500	-
	Others	-	150
		3,000	150
	Closing Balance	6,369	203
4.1	Charity paid during the year are as follows		
	Indus Hospital & Health Network	1,500	-
	The Citizen Foundation	1,500	-
	Prime Minister Flood Relief Fund	-	150
	Total	3,000	150
5	Islamic Banking Business Unappropriated/ Unremitted Profit		
	Opening Balance	2,297,141	1,502,668
	Add: Islamic Banking profit for the year	3,529,477	2,297,141
	Less: Transferred / Remitted to Head Office	(2,297,141)	(1,502,668)
	Closing Balance	3,529,477	2,297,141
6	Contingencies & commitment		
	Guarantees	-	-
	Commitments	-	-
	Other contingent liabilities	-	-
		-	-
7	Profit / Return Earned of Financing, Investments and Placement		
	Profit earned on:		
	Financing	12,351,676	5,712,166
	Investments	9,231,359	6,730,485
	Placements	1,519	1,235
	Others (Bai Muajjal)	-	217,282
		21,584,554	12,661,168

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

2023	2022
------	------

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

8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	9,901,324	5,589,067
Amortisation of lease liability against - ROUA	79,419	79,103
Others (General Account)	3,783,784	1,932,090
	13,764,527	7,600,260

9 Pool Management

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

a) General depositor pool

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

b) Special depositor pools (Total 213 during the period and 47 as at Dec 31, 2023)

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

c) Equity pool

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

Key features and risk & reward characteristics

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

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

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

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

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

Sector	2023	2022
	------(Percentage)-----	
Fertilizer	0.00%	1.48%
Textile	3.34%	4.25%
Fuel & energy	24.72%	34.07%
Leasing/Modarbas	0.02%	0.03%
Sugar	6.12%	7.80%
Cement	3.81%	6.10%
Gas	0.15%	0.35%
Financial	1.57%	1.94%
Federal Government	27.29%	32.95%
Real Estate	2.45%	3.10%
Agriculture	0.24%	0.30%
Commodity Operations	23.66%	0.00%
Others	6.62%	7.64%
Total	100%	100%

Parameters for profit allocation and charging expenses

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

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

	31-Dec-23 Rupees in '000
Mudarib Share	
Gross Distributable Income	17,033,942
Mudarib (Bank) share of profit before Hiba	5,216,246
Mudarib Share in percentage	31%
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	5,216,246
Hiba from bank's share to depositors	1,779,501
Hiba from bank's share to depositors in percentage	34%

Profit rates

During the year ended Dec 31, 2023 the average profit rate earned by NBP Islamic Banking Group is 19.03% and the profit distributed to the depositors is 14.31%.

FINANCIAL
STATEMENTS
(CONSOLIDATED)



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 group companies for the year ended December 31, 2023.

Consolidated after-tax profit for the year ended December 31, 2023 amounted to PKR 53.3 Bn, being 72.3% higher than PKR 30.9 Bn for the year ended December 31, 2022. During the year ended, the subsidiary companies contributed PKR 1.174 Bn (December 31, 2022: PKR 0.807 Bn) in Group profitability, whereas the associates contributed share of profit of PKR 0.245 Bn (December 31, 2021: Share of loss PKR 0.095 Bn). A share of profit of PKR 1.226 Bn (December 31, 2022: PKR 0.545 Bn) was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS increased to PKR 24.96 for the year ended December 31, 2023 as compared to PKR 14.49 for the year ended December 31, 2022.

As of December 31, 2023, consolidated assets of the Bank amounted to PKR 6,668.9 Bn being PKR 1,417.1 Bn or 26.98% higher than PKR 5,251.8 Bn of December 31, 2022.

Profit for the year ended December 31, 2023 after carry forward of accumulated profit of 2022 is proposed to be appropriated as follows:

	(PKR 'Mn)
After-tax consolidated profit for the year ended December 31, 2023	53,321.4
Unappropriated profit brought forward	178,189.6
Other comprehensive income - net of tax	(595.2)
Non-controlling interest	(219.8)
Transfer from surplus on revaluation of fixed assets – net of tax	181.5
	<u>177,556.1</u>
Profit available for appropriations	<u>230,877.5</u>
Appropriation:	
Transfer to Statutory Reserve	<u>(5,184.0)</u>
Un-appropriated profit carried forward	<u>225,693.5</u>

For and on behalf of the Board of Directors

Rehmat Ali Hasnie
President & CEO

Ali Syed
Director

Karachi

Dated: February 22, 2024

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

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block-C
Lakson Square Building
No.1, Sarwar Shaheed
Road, Karachi - 74200

INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **National Bank of Pakistan and its subsidiaries (the Group)**, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 26.3.4.1 to the consolidated financial statements which explains the contingency in relation to the pension obligation of the Group. The Group, based on the opinion of its legal counsel, is confident about a favorable outcome on this matter and hence, no provision has been made in these consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matter

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

Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Provision against advances (Refer notes 5.8 and 11.4 to the consolidated financial statements)</p>	
	<p>The Group makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>Provision against advances of overseas locations is made as per the requirements of the respective regulatory regimes.</p> <p>The Group has recognized a net provision against advances amounting to Rs. 13,321 million in the consolidated profit and loss account in the current year. As at December 31, 2023, the Group holds a provision of Rs. 233,833 million against advances. This includes a general provision against the underperforming portfolio on a prudent basis.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall consolidated financial statements of the Group, we considered the area of provision against advances as a key audit matter.</p>	<p>Our audit procedures to verify provision against domestic advances included, amongst others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirements of PRs; • Evaluated the design and tested the operating effectiveness of the relevant controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing advances. <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> • controls over correct classification of non-performing advances on time-based criteria; • controls over accurate computation and recording of provision; and • controls over the governance and approval process related to provision, including continuous reassessment by the management. <p>We selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision:</p> <ul style="list-style-type: none"> • Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; • Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and discussions with the management; • In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs; • We also reviewed minutes of the meeting of credit, risk and compliance and audit committees to identify risky exposures; and

S.No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • We had discussions with management to challenge assumptions and judgements used in performing portfolio review and recording provisions. <p>We issued instructions to auditors of those overseas branches and a joint venture which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches and joint venture performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Group, evaluated the work performed by the component auditors and the results thereof.</p>

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

A.F. Ferguson & Co.
Chartered Accountants

BDO Ebrahim & Co.
Chartered Accountants

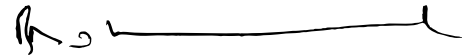
Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2022 were audited by Yousuf Adil, Chartered Accountants and A. F. Ferguson & Co. Chartered Accountants who had expressed an unmodified opinion on those statements vide their report dated March 6, 2023.

The engagement partners on the audit resulting in this independent auditor's report are Zulfikar Ali Causer and Shahbaz Akbar on behalf of BDO Ebrahim & Co. Chartered Accountants and A. F. Ferguson & Co. Chartered Accountants respectively.



A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 4, 2024
UDIN: AR202310068261NTzJfD



BDO Ebrahim & Co.
Chartered Accountants
Karachi
Dated: March 4, 2024
UDIN: AR202310067MY4xgiOdm

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

2022	2023		2023	2022
------(US Dollars in '000)-----			------(Rupees in '000)-----	
ASSETS				
816,809	1,048,232	Cash and balances with treasury banks	295,455,482	230,226,311
69,620	152,574	Balances with other banks	43,004,567	19,623,124
110,950	682,715	Lendings to financial institutions	192,430,437	31,272,467
12,356,940	15,660,836	Investments	4,414,174,305	3,482,935,847
4,366,231	4,960,154	Advances	1,398,072,669	1,230,669,118
204,372	203,920	Fixed assets	57,477,067	57,604,343
7,455	7,757	Intangible assets	2,186,294	2,101,322
25,495	26,027	Right of use assets	7,335,901	7,186,067
79,494	-	Deferred tax assets	-	22,406,230
595,120	917,962	Other assets	258,737,303	167,741,065
18,632,486	23,660,177		6,668,874,025	5,251,765,894
LIABILITIES				
196,083	241,256	Bills payable	68,000,448	55,268,019
6,884,556	7,726,310	Borrowings	2,177,743,194	1,940,485,787
9,455,995	13,031,650	Deposits and other accounts	3,673,109,914	2,665,273,257
431	739	Liabilities against assets subject to finance lease	208,268	121,453
-	-	Subordinated debt	-	-
31,083	30,805	Lease liabilities against right of use assets	8,682,732	8,761,015
-	2,989	Deferred tax liabilities	842,568	-
963,440	1,216,462	Other liabilities	342,872,862	271,556,131
17,531,588	22,250,211		6,271,459,986	4,941,465,662
1,100,898	1,409,966	NET ASSETS	397,414,039	310,300,232
REPRESENTED BY				
75,481	75,481	Share capital	21,275,131	21,275,131
239,440	301,847	Reserves	85,078,819	67,488,847
149,980	227,887	Surplus on revaluation of assets	64,232,415	42,273,537
632,190	800,727	Unappropriated profit	225,693,440	178,189,579
1,097,091	1,405,942	Total Equity attributable to the equity holders of the Bank	396,279,805	309,227,094
3,807	4,024	Non-controlling interest	1,134,234	1,073,138
1,100,898	1,409,966		397,414,039	310,300,232
CONTINGENCIES AND COMMITMENTS				
26				

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.







Chairman President / CEO Chief Financial Officer Director Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2023

2022	2023		Note	2023	2022
------(US Dollars in '000)-----				------(Rupees in '000)-----	
1,786,613	3,637,026	Mark-up / return / interest earned	27	1,025,134,662	503,575,915
1,371,153	3,036,182	Mark-up / return / interest expensed	28	855,780,390	386,474,248
415,460	600,844	Net mark-up / interest income		169,354,272	117,101,667
NON MARK-UP / INTEREST INCOME					
80,030	85,632	Fee and commission income	29	24,136,296	22,557,400
17,988	18,465	Dividend income		5,204,557	5,070,140
29,384	27,468	Foreign exchange income		7,742,186	8,282,139
-	-	Income / (loss) from derivatives		-	-
3,985	15,686	Gain on securities - net	30	4,421,246	1,123,216
1,934	4,350	Share of profit from joint venture - net of tax	10.4	1,226,065	545,161
(337)	870	Share of profit / (loss) from associates - net of tax	10.4	245,202	(95,084)
6,351	6,374	Other income	31	1,796,449	1,790,098
139,335	158,845	Total non-markup / interest income		44,772,001	39,273,070
554,795	759,689	Total income		214,126,273	156,374,737
NON MARK-UP / INTEREST EXPENSES					
282,367	337,611	Operating expenses	32	95,159,211	79,588,284
258	1,015	Other charges	33	285,960	72,848
282,625	338,626	Total non-markup / interest expenses		95,445,171	79,661,132
272,170	421,063	Profit before provisions		118,681,102	76,713,605
46,535	54,574	Provisions and write offs - net	34	15,382,139	13,116,455
225,635	366,489	PROFIT BEFORE TAXATION		103,298,963	63,597,150
115,831	177,313	Taxation	35	49,977,566	32,648,139
109,804	189,176	PROFIT AFTER TAXATION		53,321,397	30,949,011
Attributable to:					
109,399	188,399	Equity holders of the Bank		53,101,601	30,834,587
406	780	Non-controlling interest		219,796	114,424
109,804	189,179			53,321,397	30,949,011
------(US Dollars)-----				------(Rupees)-----	
0.05	0.09	Basic earnings per share	36	24.96	14.49
0.05	0.09	Diluted earnings per share	37	24.96	14.49

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.







Chairman President / CEO Chief Financial Officer Director Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

2022	2023		2023	2022
------(US Dollars in '000)-----			------(Rupees in '000)-----	
109,804	189,176	Profit after taxation for the year	53,321,397	30,949,011
		Other comprehensive income / (loss)		
		Items that may be reclassified to profit and loss account in subsequent periods:		
35,551	44,014	Effect of translation of net investments in foreign branches, subsidiaries and joint venture	12,405,926	10,020,548
(89,784)	79,162	Movement in surplus / (deficit) on revaluation of investments - net of tax	22,312,569	(25,306,566)
(54,233)	123,176		34,718,495	(15,286,018)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(11,102)	(2,112)	Remeasurement loss on defined benefit obligations - net of tax	(595,239)	(3,129,095)
10,983	(1,314)	Movement in (deficit) / surplus on revaluation of fixed assets - net of tax	(370,278)	3,095,713
(1,110)	703	Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	198,132	(312,906)
53	-	Share of remeasurement gain on defined benefit obligations of joint venture - net of tax	-	14,886
(1,176)	(2,723)		(767,385)	(331,402)
54,395	309,629	Total comprehensive income	87,272,507	15,331,591
		Total comprehensive income attributable to:		
53,989	308,849	Equity holders of the Bank	87,052,711	15,217,167
406	780	Non-controlling interest	219,796	114,424
54,395	309,629		87,272,507	15,331,591

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.


 Chairman


 President / CEO


 Chief Financial Officer


 Director


 Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

	Reserves				Surplus / (deficit) on revaluation of assets				Sub Total	Non-Controlling Interest	Total		
	Share capital	Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / Non-Banking Assets				Total	
Balances as at January 01, 2022	21,275,131	14,880,385	39,025,546	8,000,000	521,338	62,427,269	19,552,731	45,442,249	64,994,980	145,312,547	294,009,927	1,013,454	295,023,381
Total Comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	-	-	-	30,834,587	30,834,587	114,424	30,949,011
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	-	-	(3,114,209)	(15,617,420)	-	(15,617,420)
Other comprehensive income - net of tax	-	10,020,548	-	-	-	10,020,548	(25,306,566)	2,782,807	(22,523,759)	-	-	-	-
Total Comprehensive income	-	10,020,548	-	-	-	10,020,548	(25,306,566)	2,782,807	(22,523,759)	27,720,378	15,217,167	114,424	15,331,591
Transfer to statutory reserve	-	-	3,041,030	-	-	3,041,030	-	-	-	(3,041,030)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(197,684)	(197,684)	197,684	-	-	-
Transfer to unappropriated profit	-	-	-	(8,000,000)	-	(8,000,000)	-	-	-	8,000,000	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(54,740)	(54,740)
Balance as at December 31, 2022	21,275,131	24,900,933	42,066,576	-	521,338	67,488,847	(5,753,835)	48,027,372	42,273,537	178,189,579	309,227,094	1,073,138	310,300,232
Total Comprehensive income for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-	53,101,601	53,101,601	219,796	53,321,397
Profit after taxation for the year ended December 31, 2023	-	-	-	-	-	-	-	-	-	(595,239)	(33,951,110)	-	(33,951,110)
Other comprehensive income - net of tax	-	12,405,926	-	-	-	12,405,926	22,312,569	(172,146)	22,140,423	52,506,362	87,052,711	219,796	87,272,507
Total Comprehensive income	-	12,405,926	-	-	-	12,405,926	22,312,569	(172,146)	22,140,423	(5,184,046)	-	-	-
Transfer to statutory reserve	-	-	5,184,046	-	-	5,184,046	-	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(181,545)	(181,545)	181,545	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(158,700)	(158,700)
Balance as at December 31, 2023	21,275,131	37,306,859	47,250,622	-	521,338	85,078,819	16,558,734	47,673,681	64,232,415	225,693,440	396,279,805	1,134,234	397,414,039

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.







Chairman
 Chief Financial Officer
 Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2023

2022	2023		2023	2022
------(US Dollars in '000)-----			------(Rupees in '000)-----	
		CASH FLOW FROM OPERATING ACTIVITIES		
225,635	366,489	Profit before taxation	103,298,963	63,597,150
(17,988)	(18,465)	Less: Dividend income	(5,204,557)	(5,070,140)
207,647	348,024		98,094,406	58,527,010
		Adjustments:		
16,992	16,926	Depreciation	4,770,819	4,789,320
1,298	1,152	Amortization	324,753	365,818
46,535	54,574	Provision and write-offs	15,382,139	13,116,455
(238)	-	Gain on disposal of subsidiary and branch	-	(67,007)
(60)	(796)	Gain on sale of fixed assets - net	(224,324)	(17,005)
3,367	3,245	Finance charges on leased assets	914,611	949,086
		Unrealized loss on revaluation of investments classified as held-for-trading	26,152	623,477
2,212	93	Charge for defined benefit plans - net	11,999,040	8,426,536
29,896	42,571	Share of profit from joint venture - net of tax	(1,226,065)	(545,161)
(1,934)	(4,350)	Share of (profit) / loss from associates - net of tax	(245,202)	95,084
337	(870)		31,721,923	27,736,603
98,405	112,545		129,816,329	86,263,613
306,052	460,569	(Increase) / Decrease in operating assets		
		Lendings to financial institutions	(161,157,970)	283,194,208
1,004,731	(571,765)	Held-for-trading securities	40,238,071	34,791,299
123,434	142,759	Advances	(193,048,283)	(133,824,495)
(474,789)	(684,907)	Others assets (excluding advance taxation)	(82,046,762)	(67,545,828)
(239,643)	(291,090)		(396,014,944)	116,615,184
413,733	(1,405,003)	Increase / (Decrease) in operating liabilities		
		Bills payable	12,732,429	33,419,749
118,568	45,173	Borrowings from financial institutions	224,302,435	1,647,788,025
5,846,108	795,792	Deposits	1,007,836,657	(352,874,452)
(1,251,946)	3,575,655	Other liabilities	70,201,315	68,418,362
242,738	249,064		1,315,072,836	1,396,751,684
4,955,468	4,665,684	Income tax adjusted / paid	(55,348,344)	(33,789,222)
		Payments on account of staff retirement benefits	(3,673,572)	(3,635,107)
(119,879)	(196,368)	Net cash flow generated from operating activities	989,852,305	1,562,206,152
(12,897)	(13,033)			
5,542,477	3,511,849	CASH FLOW FROM INVESTING ACTIVITIES		
		Net investments in available-for-sale securities	(1,110,320,687)	(1,533,784,118)
(5,441,639)	(3,939,253)	Net investments in held-to-maturity securities	184,073,787	(87,289,700)
(309,691)	653,067	Dividends received	5,204,557	5,070,140
17,988	18,465	Investments in fixed assets and intangibles	(3,179,760)	(2,756,355)
(9,779)	(11,281)	Proceeds from sale of fixed assets	458,886	98,556
350	1,628	Effect of translation of net investment in foreign branches	13,140,176	10,020,548
35,551	46,619	Proceed from closure of subsidiary and branch	-	111,822
397	-	Net cash flow used in investing activities	(910,623,041)	(1,608,529,107)
(5,706,823)	(3,230,755)			
		CASH FLOW FROM FINANCING ACTIVITIES		
		Payments of lease obligations	(3,566,480)	(2,680,093)
(9,509)	(12,653)	Dividend paid	(7,142)	(146)
(1)	(25)	Net cash flow used in financing activities	(3,573,622)	(2,680,239)
(9,510)	(12,678)			
(173,856)	268,416	Increase / (Decrease) in cash and cash equivalents	75,655,642	(49,003,194)
		Cash and cash equivalents at beginning of the year	222,787,444	271,509,796
957,366	785,646	Effect of exchange rate changes on cash and cash equivalents	1,261,569	1,542,411
5,472	4,476		224,049,013	273,052,207
968,749	794,893	Cash and cash equivalents at end of the year	299,704,655	224,049,013
794,893	1,063,309			

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.



 Chairman President / CEO Chief Financial Officer Director Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

	Percentage Holding	
	2023	2022
	%	%
Subsidiary Companies		
- CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	100.00
- NBP Exchange Company Limited, Pakistan	100.00	100.00
- National Bank Modaraba Management Company Limited, Pakistan	100.00	100.00
- First National Bank Modaraba, Pakistan	30.00	30.00
- Taurus Securities Limited, Pakistan	58.32	58.32
- NBP Fund Management Limited, Pakistan	54.00	54.00
- Cast-N-Link Products Limited (Note 10.16.1)	76.51	76.51

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the ultimate holding company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset. Brief profile of the Holding Company and subsidiaries is as follows:

National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Federal Government and Pakistan Sovereign Wealth Fund (PSWF) holds 75.60% (2022: Federal Government and SBP 75.60%) shares of the Bank. 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 SBP. The Bank operates 1,508 (2022: 1,512) branches in Pakistan including 188 (2022: 188) Islamic Banking branches and 18 (2022: 18) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme and IPS accounts.

CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. CJSC conducts its business under license number 252 dated December 27, 2007 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). NBPECL

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 22 branches (2022: 20 branches) and 1 booth (2022: 1).

National Bank Modaraba Management Company Limited, Pakistan

National Bank Modaraba Management Company Limited (NBMMCL) is a public unlisted company, incorporated in Pakistan on August 6, 1992 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The purpose of the NBMMCL is to float and manage modaraba funds. NBMMCL at present is managing First National Bank Modaraba. Its registered office is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

First National Bank Modaraba, Pakistan

First National Bank Modaraba (the Modaraba) is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed at Pakistan Stock Exchange Limited. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSL) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling, and fund placements. TSL holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited.

NBP Fund Management Limited, Pakistan

NBP Fund Management Limited, Pakistan - NBP Funds, was incorporated in Pakistan as public limited company on August 24, 2005 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NBP Funds are National Bank of Pakistan and Baltoro Growth Fund. Baltoro Growth Fund has acquired shareholding of NBP Funds which was previously held by Alexandra Fund Management Private Limited on October 08, 2018. NBP Funds is mainly involved in the business of asset management and investment advisory services. NBP Funds has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry out business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) under section 282C of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal / registered office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

As at December 31, 2023 NBP Funds is managing the following funds and discretionary portfolio:

	Type of Fund
- NBP Government Securities Liquid Fund	Open end Fund
- NBP Mahana Amdani Fund	Open end Fund
- NBP Financial Sector Income Fund	Open end Fund
- NBP Money Market Fund	Open end Fund
- NBP Government Securities Savings Fund	Open end Fund
- NBP Income Opportunity Fund	Open end Fund
- NBP Islamic Money Market Fund	Open end Fund
- NBP Islamic Daily Dividend Fund	Open end Fund
- NBP Riba Free Savings Fund	Open end Fund
- NBP Islamic Mahana Amdani Fund	Open end Fund
- NBP Savings Fund	Open end Fund
- NBP Islamic Savings Fund	Open end Fund
- NBP Balanced Fund	Open end Fund
- NBP Islamic Sarmaya Izafa Fund	Open end Fund
- NBP Pension Fund	Open end Fund
- NBP Islamic Pension Fund	Open end Fund
- NBP Stock Fund	Open end Fund
- NBP Islamic Stock Fund	Open end Fund
- NBP Sarmaya Izafa Fund	Open end Fund
- NBP Islamic Energy Fund	Open end Fund
- NBP Financial Sector Fund	Open end Fund
- NBP Islamic Income Fund	Open end Fund
- NBP Pakistan Growth Exchange Traded Fund	Open end Fund
- NBP Government Securities Fund - I	Open end Fund
- NBP Income Fund Of Fund	Open end Fund
- NBP Mustahkam Fund	Open end Fund
- NBP Islamic Mustahkam Fund	Open end Fund
- NBP Gokp Pension Fund	Open end Fund
- NBP Gokp Islamic Pension Fund	Open end Fund

1.2 Basis of consolidation

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2. BASIS OF PRESENTATION

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

Key financial figures of the Islamic banking branches of the Bank have been disclosed in note annexure-II to these consolidated financial statements.

2.2 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 281.8607 to 1 US Dollar has been used for 2023 and 2022 as it was the prevalent rate as on December 31, 2023.

3. STATEMENT OF COMPLIANCE

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

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

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

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

3.4.1 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on January 1, 2023 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these consolidated financial statements.

3.4.2 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations:

Standards, interpretations or amendments	Effective from accounting period beginning on or after
- IFRS 9 - 'Financial instruments'	January 01, 2024
- IAS 21 - 'Lack of exchangeability' (amendments)	January 01, 2025
- IAS 1 - 'Non current liabilities with covenants' (amendments)	January 01, 2024
- IFRS 16 - 'Sale and leaseback' (amendments)	January 01, 2024

3.4.3 The SBP vide its BPRD Circular No. 02 of 2023 dated February 09, 2023 has specified the new reporting format for financial statements of Banking Companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the quarter ending March 31, 2023. However, SBP vide its BPRD circular No. 07 of 2023 has deferred the applicability from January 01, 2023 to January 01, 2024.

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

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

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

3.4.6 IFRS 9 Financial Instruments:

As directed by SBP via BPRD Circular no 07 of 2023, IFRS 9 Financial Instruments is effective for periods beginning on or after January 01 2024 for banks having asset base of more than Rs. 500 billion as at December 31 2022. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During 2023, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Risk Management Division has developed Models / methodologies for PD, LGD and Credit Conversion Factor (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

Finance Group will ensure preparation of disclosures and incorporation of the impacts on the financial statements of the Bank. The function shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. Finance Division shall ensure that all disclosures as required by the accounting standard and the SBP formats and guidelines are made.

The risk management division will perform the back testing of ECL at least on yearly basis and will be responsible for the independent validation of the risk parameters / risk models; including PD, LGD and CCF etc., that are used to compute the ECL which would be carried out as per the policy.

Internal Audit will carry out periodic review of IFRS 9 methodology and impacts calculated by the Management.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification of equity instruments is generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity Securities

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For certain listed equity securities currently classified as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to classify them as FVOCI. Therefore, the application of IFRS 9 will not have an impact on initial adoption. However, in accordance with the requirements of the standard, gains and losses recognized in OCI will not be recycled through the profit and loss account on derecognition of these securities.

The remaining listed equity securities will be measured at FVTPL. The AFS reserve related to those securities is currently part of Surplus on Revaluation of Assets and will be reclassified to retained earnings hence, there will be no impact on overall equity.

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Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, i.e. at the lower of cost and break-up value, till accounting periods beginning on or after January 01, 2024.

Debt securities and Loans and advances

Debt securities currently classified as AFS and those passes SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those passes SPPI test are expected to be measured at amortized costs under IFRS 9 as the Group business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, do not expect to give risk to cash flows representing solely payments of principal and interest and accordingly, these would be measured at fair value through profit and loss.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default. These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 5 years data till December 31 2023 and going forward, one more year's data shall be included until the Bank has at least 10 years data. For calculating ECL, the Bank shall classify its financial assets under three following categories:

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.
- b) Stage 2: Under-Performing Assets: For financial assets where there has been a SICR since initial recognition, but which are not credit impaired, the Bank shall recognize an allowance based on lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.
- c) Stage 3: Non-Performing Assets: For financial assets which have objective evidence of impairment at the reporting date, the Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential regulations

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation which will be incorporated as per the SBP's revised format.

Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2024 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during 2024 and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2023.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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Classification and measurement

Based on the bank's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

1. Debt instruments amounting to Rs. 15,987 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.
2. Equity instruments amounting to Rs. 28,507 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.

Impairment

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 01, 2024 is a decrease of approximately Rs. 8,177 million, representing;

- a decrease of Rs. 13,808 million in equity due to increase in ECL.
- an increase of Rs. 5,631 million in equity resulting from reclassification of investments as mentioned above.

Impact on regulatory capital

The implementation of IFRS 9 is expected to result in reduced regulatory capital of the Bank, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the Financial Institutions (FIs) to follow a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP vide BPRD Circular No.3 of 2022 dated July 05, 2022, have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must only adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.

The impact of adoption of IFRS 9 on the capital ratios of the Group are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	19.17%	19.39%
Tier 1 Capital Adequacy Ratio	19.17%	19.39%
Total Capital Adequacy Ratio	25.49%	25.80%
CET1 available to meet buffers (as a percentage of risk weighted assets)	10.17%	10.39%

4. BASIS OF MEASUREMENT

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICIES

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

5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit and loss account as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit and loss account.

5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.3 Cash and cash equivalents

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

5.4 Investments

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

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

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

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.
- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

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

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

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

5.5 Repurchase and resale agreements

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

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

5.6 Derivative financial instruments

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

5.7 Financial instruments

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

5.8 Advances

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

5.8.1 Islamic financing and related assets

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

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

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

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

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

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

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

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

5.9 Fixed assets and depreciation

5.9.1 Property and equipment

5.9.1.1 Owned assets

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

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

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

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

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

- Any revaluation increase arising on the revaluation of such assets is recognised in the statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in "Surplus on Revaluation of Fixed Assets" relating to a previous revaluation of that asset.
- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.
- An amount equal to incremental depreciation for the year net of associated deferred tax is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.
- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

5.9.1.2 Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the straight line basis at rates disclosed in note 12.2. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

5.9.1.3 Ijarah (as lessor)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

5.9.2 Capital work-in-progress

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

5.9.3 Impairment

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

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

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5.10 Lease liability and right-of-use assets

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

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

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

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

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

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

5.11 Intangible assets

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

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.

5.12 Non-banking assets acquired in satisfaction of claims

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

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5.13 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

5.14 Taxation

5.14.1 Current

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

5.14.2 Deferred

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

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

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

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

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

5.15 Employee benefits

5.15.1 Defined benefit plans

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

5.15.2 Other employee benefits

Employees' compensated absences

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

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5.15.3 Retirement and other benefit obligations

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

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

5.16 Revenue recognition

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

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

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

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

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

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

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

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

5.17 Net investment in finance lease

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

5.18 Foreign currencies translation

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

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

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

5.19 Provision for off balance sheet obligations

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

5.20 Off setting

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

5.21 Fiduciary assets

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

5.22 Dividend and other appropriations

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

5.23 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2023.

5.24 Bai Muajjal

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

5.25 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as on balance sheet financial assets and financial liabilities.

5.26 Segment reporting

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

Business segments

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

- I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.
- II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.
- III. **Corporate and Investment Banking Group** offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.
- IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.
- V. **International Financial Institution and Remittance Group** includes the results of all international branches, correspondent banking business and global remittances. This represents Group's operations in 13 countries including Pakistan and 18 branches including one branch in export processing zone in Pakistan.
- VI. **Aitemaad and Islamic Banking Group** provides shariah compliant services to customers including loans, deposits and other transactions.
- VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

Geographical segments

The Group is managed along the following geographic lines for monitoring and reporting purposes:

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

5.27 Accounting estimates and judgments

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

a) Provision against non-performing loans and advances

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

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

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

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

b) Fair value of derivatives

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

c) Impairment of available-for-sale investments

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

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

d) Held-to-maturity investments

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

e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

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

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

g) Employees' benefit plans

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

h) Provision against contingencies

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

i) Determination of control over investees

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

6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

In line with SBP Governance Framework 2018, the Board of Directors (BoD) in its 302nd meeting held on January 20 & 21, 2020 has accorded the approval of International Strategy. As per approved Strategy, the BoD allowed closure of few locations which have already been closed in prior years except Azerbaijan (Baku), Kyrgyzstan (Bishkek) and Kazakhstan (Almaty) are still in the process of closure. The Board of Directors in its 316th meeting held on January 06 & 11, 2021 has accorded its approval to scale down Bangladesh operations.

SBP also directed to close bank's operations in Paris Branch. On the basis of these directives, the BoD in its 327th meeting held on January 17, 2022 accorded their approval.

Closure process at Central Asian locations have been delayed due to non-settlement of NPLs portfolio. Operations at the following locations are under the process of closure. Tentative closure dates are also mentioned there against.

S.No	Name of International Locations	Tentative Date of Closure
1	CJSC Subsidiary Bank of NBP in Almaty, Kazakhstan	31.03.2024
2	Bishkek Branch, Kyrgyzstan	31.03.2024
3	Baku Branch, Azerbaijan	31.03.2024
4	Paris Branch, France	31.03.2024

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For the year ended December 31, 2023

As at December 31, 2023

Particulars	CJSC Subsidiary				Total
	Bank of NBP in Almaty (Kazakhstan) (Subsidiary)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Paris (France)	
	------(Branches)-----				
	------(Rupees in '000)-----				
Total Assets	3,009,954	1,461,215	2,873,265	1,560,155	8,904,589
Total Liabilities	2,604	51,793	18,665	123,477	196,538
Profit / (Loss) for the year	271,965	(15,134)	234,426	(642,483)	(151,226)

		2023	2022
7. CASH AND BALANCES WITH TREASURY BANKS	Note	------(Rupees in '000)-----	
In hand:			
Local currency		62,622,218	52,750,990
Foreign currency		9,747,256	7,436,911
		72,369,474	60,187,901
With State Bank of Pakistan in:			
Local currency current accounts	7.1	125,905,643	106,933,909
Foreign currency current accounts	7.2	21,661,443	15,661,453
Foreign currency deposit accounts	7.2	43,265,618	15,623,732
Foreign currency collection accounts		1,498,122	1,135,059
		192,330,826	139,354,153
With other central banks in:			
Foreign currency current accounts	7.3	25,964,016	26,631,693
Foreign currency deposit accounts	7.3	4,163,614	3,725,602
		30,127,630	30,357,295
Prize bonds		627,552	326,962
		295,455,482	230,226,311

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

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

7.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 5.5% per annum (2022: 0% to 4.5% per annum).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
Note	------(Rupees in '000)-----	
8. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	298,108	537,182
In deposit accounts	388,221	501,303
	686,329	1,038,485
Outside Pakistan:		
In current accounts	33,517,051	12,395,611
In deposit accounts	8,801,187	6,189,028
	42,318,238	18,584,639
	43,004,567	19,623,124

8.1 These include various deposits with banks and carry interest at the rates ranging from 6.00% to 12.70% per annum (2022: 3.5% to 9.5% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at the rates ranging from 1.50% to 7.10% per annum (2022: 0% to 4% per annum).

	2023	2022
Note	------(Rupees in '000)-----	
9. LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lendings	9.1 9,723	9,723
Repurchase agreement lendings (Reverse Repo)	9.2 & 9.6 192,420,714	31,262,744
Letters of placement	9.3 174,150	174,150
	9.4 192,604,587	31,446,617
Less: provision held against lendings to financial institutions	9.5 & 9.7 (174,150)	(174,150)
Lendings to financial institutions - net of provision	192,430,437	31,272,467

9.1 This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (2022: Rs. 9.7 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 21.00% to 22.95% per annum (2022: 16% to 16.5% per annum) with maturities ranging from January 02, 2024 to January 05, 2024.

9.3 These are overdue placements and full provision has been made against these placements as at December 31, 2023.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
------(Rupees in '000)-----		
9.4 Particulars of lending		
In local currency	192,604,587	31,446,617
In foriegn currencies	-	-
	192,604,587	31,446,617
9.5 Movement in provision held against lendings is as follows:		
Opening balance	174,150	174,150
Reversal for the year	-	-
Closing balance	174,150	174,150

9.6 Securities held as collateral against lendings to financial institutions

	2023			2022		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	9,485,867	-	9,485,867	18,699,589	-	18,699,589
Pakistan Investment Bonds	182,934,847	-	182,934,847	12,563,155	-	12,563,155
Total	192,420,714	-	192,420,714	31,262,744	-	31,262,744

9.6.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 192,518 million (2022: Rs. 31,027 million).

9.7 Category of classification

	2023		2022	
	Classified Lending	Provision held	Classified Lending	Provision held
------(Rupees in '000)-----				
Domestic				
Loss	174,150	174,150	174,150	174,150
Total	174,150	174,150	174,150	174,150

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

10. INVESTMENTS

Investments by type:

10.1

	2023				2022			
	Cost / Amortised Cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
------(Rupees in '000)-----								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	23,341,720	-	7,673	23,349,393	22,269,343	-	(2,665)	22,266,678
Pakistan Investment Bonds	14,665,019	-	(37,878)	14,627,141	61,942,656	-	(1,031,197)	60,911,459
Ijarah Sukuk Bonds	5,038,531	-	(3,521)	5,035,010	-	-	-	-
Ordinary Shares								
Listed Companies	79,317	-	(1,213)	78,104	424,708	-	(20,939)	403,769
Mutual Fund Units								
	972,916	-	6,914	979,830	623,941	-	(10,996)	612,945
Foreign Securities								
Foreign Government debt securities	2,696,887	-	-	2,696,887	1,771,813	-	-	1,771,813
	46,794,390	-	(28,025)	46,766,365	87,032,461	-	(1,065,797)	85,966,664
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	954,585,428	-	2,228,157	956,813,585	828,957,708	-	(2,354,400)	826,603,308
Pakistan Investment Bonds	2,926,410,213	-	(25,322,781)	2,901,087,432	1,972,276,787	-	(27,509,276)	1,944,767,511
Ijarah Sukuk Bonds	30,424,484	-	(330,520)	30,093,964	20,518,238	-	(339,589)	20,178,649
Foreign currency debt securities	40,907,401	-	(10,174,093)	30,733,308	33,045,353	-	(18,622,514)	14,422,839
Ordinary Shares								
Listed Companies	51,696,434	(11,638,688)	22,294,743	62,352,489	41,606,225	(10,159,936)	4,821,267	36,267,556
Unlisted Companies	2,107,463	(448,951)	-	1,658,512	1,882,463	(427,951)	-	1,454,512
Preference Shares								
Listed	1,448,472	(566,446)	161,771	1,043,797	1,448,472	(287,446)	209,451	1,370,477
Unlisted	558,284	(558,284)	-	-	558,284	(558,284)	-	-
Non-Government Debt Securities								
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds	53,152,317	(5,857,566)	355,100	47,649,851	52,146,989	(5,990,161)	1,047,326	47,204,154

Note

10.13 & 10.14

Non-Government Debt Securities
Term Finance Certificates /
Musharaka / Bonds / Debentures and
Sukuk Bonds

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023			2022				
	Cost / Amortised Cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Mutual Fund Units								
Foreign Securities								
Foreign Government debt securities	2,219,646	(41,167)	1,726,825	3,905,304	2,219,646	(41,167)	941,952	3,120,431
Equity securities - Listed	3,385,022	-	8,528	3,393,550	1,914,312	-	(30,359)	1,883,953
	463,294	-	42,171,551	42,634,845	463,294	-	34,380,951	34,844,245
	4,067,358,458	(19,111,102)	33,119,281	4,081,366,637	2,957,037,771	(17,464,945)	(7,455,191)	2,932,117,635
Held-to-maturity securities								
Federal Government Securities								
Market Treasury Bills	161,108	-	-	161,108	29,519,190	-	-	29,519,190
Pakistan Investment Bonds	213,116,482	-	-	213,116,482	375,285,244	-	-	375,285,244
Ijarah Sukuk Bonds	14,087,500	-	-	14,087,500	13,130,709	-	-	13,130,709
Foreign currency debt securities	4,288,988	-	-	4,288,988	2,992,408	-	-	2,992,408
Non-Government Debt Securities								
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds	404,585	(404,585)	-	-	404,585	(404,585)	-	-
Foreign Securities								
Foreign Government debt securities	41,295,981	-	-	41,295,981	36,096,507	-	-	36,096,507
Non-Government Debt Securities	1,083	-	-	1,083	871	-	-	871
	273,355,727	(404,585)	-	272,951,142	457,429,514	(404,585)	-	457,024,929
Associates								
	1,364,062	(533,442)	-	830,620	1,127,609	(742,298)	-	385,311
Joint Venture								
	12,259,541	-	-	12,259,541	7,441,308	-	-	7,441,308
Subsidiaries								
	1,245	(1,245)	-	-	1,245	(1,245)	-	-
Total Investments								
	4,401,133,423	(20,050,374)	33,091,256	4,414,174,305	3,510,069,908	(18,613,073)	(8,520,989)	3,482,935,847

Note

(Rupees in '000)

10.7

10.6.1

10.9/10.10/10.15

10.12

10.16

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
10.2 Investments by segments:								
Federal Government Securities:								
Market Treasury Bills	978,088,256	-	2,235,830	980,324,086	880,746,241	-	(2,357,065)	878,389,176
Pakistan Investment Bonds	3,154,191,714	-	(25,360,659)	3,128,831,055	2,409,504,687	-	(28,540,473)	2,380,964,214
Ijarah Sukuks	49,550,515	-	(334,041)	49,216,474	33,648,947	-	(339,589)	33,309,358
Foreign currency debt securities	45,196,389	-	(10,174,093)	35,022,296	36,037,761	-	(18,622,514)	17,415,247
Shares	4,227,026,874	-	(33,632,963)	4,193,393,911	3,359,937,636	-	(49,859,641)	3,310,077,995
Listed Companies	51,775,751	(11,638,688)	22,293,530	62,430,593	42,030,933	(10,159,936)	4,800,328	36,671,325
Unlisted Companies	2,107,463	(448,951)	-	1,658,512	1,882,463	(427,951)	-	1,454,512
Non-Government Debt Securities	53,883,214	(12,087,639)	22,293,530	64,089,105	43,913,396	(10,587,887)	4,800,328	38,125,837
Listed	14,277,946	(130,027)	(357,143)	13,790,776	14,962,715	(130,027)	335,083	15,167,771
Unlisted	39,278,956	(6,132,124)	712,243	33,859,075	37,588,859	(6,264,719)	712,243	32,036,383
Foreign Securities	53,556,902	(6,262,151)	355,100	47,649,851	52,551,574	(6,394,746)	1,047,326	47,204,154
Government securities	47,377,890	-	8,528	47,386,418	39,782,632	-	(30,359)	39,752,273
Foreign Government debt securities	463,294	-	42,171,551	42,634,845	463,294	-	34,380,951	34,844,245
Equity securities - Listed	1,083	-	-	1,083	871	-	-	871
Non-Government Debt Securities	47,842,267	-	42,180,079	90,022,346	40,246,797	-	34,350,592	74,597,389
Preference shares	1,448,472	(566,446)	161,771	1,043,797	1,448,472	(287,446)	209,451	1,370,477
Listed	558,284	(558,284)	-	-	558,284	(558,284)	-	-
Unlisted	3,192,562	(41,167)	1,733,739	4,885,134	2,843,587	(41,167)	930,956	3,733,376
Investments in mutual funds	3,192,562	(41,167)	1,733,739	4,885,134	2,843,587	(41,167)	930,956	3,733,376
Associates	208,917	(30,429)	-	178,488	210,771	(47,429)	-	163,342
- Listed	39,710	(39,710)	-	-	39,710	(39,710)	-	-
First Credit and Investment Bank Limited	218,534	(218,534)	-	-	218,534	(218,534)	-	-
Land Mark Spinning Mills Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-
SG Allied Businesses Limited	-	-	-	-	-	-	-	-
Nina Industries Limited	652,132	-	-	652,132	413,825	(191,856)	-	221,969
AgriTech Limited	-	-	-	-	-	-	-	-
NBP Stock Fund	1,168,353	(337,733)	-	830,620	931,900	(546,589)	-	385,311
Investments in mutual funds	1,448,472	(566,446)	161,771	1,043,797	1,448,472	(287,446)	209,451	1,370,477
Associates	558,284	(558,284)	-	-	558,284	(558,284)	-	-
Investments in mutual funds	3,192,562	(41,167)	1,733,739	4,885,134	2,843,587	(41,167)	930,956	3,733,376
Associates	208,917	(30,429)	-	178,488	210,771	(47,429)	-	163,342
- Listed	39,710	(39,710)	-	-	39,710	(39,710)	-	-
First Credit and Investment Bank Limited	218,534	(218,534)	-	-	218,534	(218,534)	-	-
Land Mark Spinning Mills Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-
SG Allied Businesses Limited	-	-	-	-	-	-	-	-
Nina Industries Limited	652,132	-	-	652,132	413,825	(191,856)	-	221,969
AgriTech Limited	-	-	-	-	-	-	-	-
NBP Stock Fund	1,168,353	(337,733)	-	830,620	931,900	(546,589)	-	385,311

Note

(Rupees in '000)

10.13 & 10.14

10.7

10.10

10.15

10.8

10.9

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----- (Rupees in '000) -----							
- Unlisted								
Pakistan Emerging Venture Limited	50,565	(50,565)	-	-	50,565	(50,565)	-	-
National Fructose Company Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-
National Assets Insurance Company Limited	-	-	-	-	-	-	-	-
Dadabhoj Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
	195,709	(195,709)	-	-	195,709	(195,709)	-	-
	1,364,062	(533,442)	-	830,620	1,127,609	(742,298)	-	385,311
Joint Venture								
United National Bank Limited	12,259,541	-	-	12,259,541	7,441,308	-	-	7,441,308
Subsidiaries								
Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
Total Investments	4,401,133,423	(20,050,374)	33,091,256	4,414,174,305	3,510,069,908	(18,613,073)	(8,520,988)	3,482,935,847

Note

- Unlisted

10.11
Pakistan Emerging Venture Limited
National Fructose Company Limited
National Assets Insurance Company Limited
Dadabhoj Energy Supply Company Limited
Pakistan Mercantile Exchange Limited

Joint Venture

10.12
United National Bank Limited

Subsidiaries

10.16
Cast-N-Link Products Limited

10.2.1

Investments given as collateral

The book value of investments given as collateral against borrowings is as follows:

Pakistan Investment Bonds	2,047,337,847	1,136,497,472
Market Treasury Bills	17,134,259	689,709,291
	2,064,472,106	1,826,206,763

2023	2022
----- (Rupees in '000) -----	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	Number of shares	Percentage of holding	Country of Incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
----- (Rupees in '000) -----									
10.2.2 Associates									
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2023	1,851,310	1,127,397	279,322	12,994	8,750
National Fibres Limited*	17,030,231	20.19	Pakistan	N/A	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2023	131,498	254,116	-	(12,327)	(12,327)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2022	1,233,803	552,420	14,247	(10,794)	(9,407)
Nina Industries Limited	4,906,000	20.27	Pakistan	N/A	-	-	-	-	-
Agriotech Limited	106,014,565	27.01	Pakistan	December 31, 2022	81,470,499	69,486,319	17,296,183	(2,953,326)	8,228,387
NBP Stock Fund	31,347,444	4.24	Pakistan	June 30, 2023	10,286,565	120,651	240,054	(333,261)	(333,261)
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2022	478	404	56	(385)	(385)
National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A	-	-	-	-	-
Venture Capital Fund Management*	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited*	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited*	37,500	32.05	Pakistan	N/A	-	-	-	-	-
Tharparkar Sugar Mills Limited*	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society*	644,508	25.00	Pakistan	N/A	-	-	-	-	-
Dadabhoj Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited*	5,000	20.00	Pakistan	N/A	-	-	-	-	-
New Pak Limited*	200,000	20.00	Pakistan	N/A	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2023	4,769,315	4,463,439	676,898	199,485	199,485
Prudential Fund Management Limited*	150,000	20.00	Pakistan	N/A	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2022	219,715,668	199,381,061	6,133,623	1,148,072	(1,110,841)
10.2.4 Subsidiaries									
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A	-	-	-	-	-

*Nil figure represent shares which have been acquired under different arrangements without any cost

N/A: Not available

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	------(Rupees in '000)-----	
10.3 Provision for diminution in value of investments		
Opening balance	18,613,073	13,386,051
Charge / (reversals)		
Charge for the year	3,136,270	5,226,348
Reversals for the year	(1,319,964)	(670,409)
Reversal on disposals	(379,005)	(179,661)
	1,437,301	4,376,278
Transfers - net	-	850,744
Closing Balance	<u>20,050,374</u>	<u>18,613,073</u>

10.3.1 Particulars of provision against debt securities Category of classification	2023		2022	
	NPI	Provision	NPI	Provision
Domestic				
Loss	6,262,151	6,262,151	6,525,731	6,394,746
Total	<u>6,262,151</u>	<u>6,262,151</u>	<u>6,525,731</u>	<u>6,394,746</u>

10.4 Movement Schedule for Associates and Joint Venture

	2023									
	Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus / (deficit) on revaluation properties	Surplus / (deficit) on revaluation securities	Share of other comprehensive income	Closing balance
	------(Rupees in '000)-----									
Joint Venture										
United National Bank Limited	7,441,308	-	-	-	1,226,065	2,365,301	47,791	1,179,076	-	12,259,541
	<u>7,441,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,226,065</u>	<u>2,365,301</u>	<u>47,791</u>	<u>1,179,076</u>	<u>-</u>	<u>12,259,541</u>
Associates										
Unlisted										
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	-	6,500
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	-	106,539
Listed										
First Credit and Investment Bank Limited	210,771	-	-	-	6,895	-	-	(8,749)	-	208,917
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-	-
NBP Stock Fund	413,825	-	-	-	238,307	-	-	-	-	652,132
	<u>1,127,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,202</u>	<u>-</u>	<u>-</u>	<u>(8,749)</u>	<u>-</u>	<u>1,364,062</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2022										
Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus / (deficit) on revaluation properties	Surplus / (deficit) on revaluation securities	Share of other comprehensive income	Closing balance	
------(Rupees in '000)-----										
Joint Venture										
United National Bank Limited	7,140,903	-	-	(114,405)	545,161	999,833	8,444	(1,153,514)	14,886	7,441,308
	<u>7,140,903</u>	<u>-</u>	<u>-</u>	<u>(114,405)</u>	<u>545,161</u>	<u>999,833</u>	<u>8,444</u>	<u>(1,153,514)</u>	<u>14,886</u>	<u>7,441,308</u>
Associates										
Unlisted										
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	-	6,500
National Assets Insurance Company Limited	44,815	-	(44,815)	-	-	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	-	106,539
Listed										
First Credit and Investment Bank Limited	211,537	-	-	-	3,492	-	-	(4,258)	-	210,771
Land Mark Spining Mills Limited	39,710	-	-	-	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-	-
NBP Stock Fund	512,401	-	-	-	(98,576)	-	-	-	-	413,825
	<u>1,271,766</u>	<u>-</u>	<u>(44,815)</u>	<u>-</u>	<u>(95,084)</u>	<u>-</u>	<u>-</u>	<u>(4,258)</u>	<u>-</u>	<u>1,127,609</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	------(Rupees in '000)-----	
10.5 Quality of available for sale securities		
Details regarding quality of available for sale securities are as follows:		
Federal government securities - government guaranteed		
Market Treasury Bills	954,585,428	828,957,708
Pakistan Investment Bonds	2,926,410,213	1,972,276,787
Ijarah Sukuks	30,424,484	20,518,238
Foreign currency debt securities	40,907,401	33,045,353
Cost	<u>3,952,327,526</u>	<u>2,854,798,086</u>
Shares		
Listed companies sector-wise		
Automobile Assembler	2,442,432	1,775,528
Automobile Parts and Accessories	1,067,760	1,115,685
Cable and Electrical Goods	418,994	384,069
Cement	3,672,159	4,249,593
Chemical	711,682	627,704
Commercial Banks	9,982,145	6,575,004
Engineering	2,149,015	1,422,047
Fertilizer	3,518,165	2,985,056
Food and Personal Care	1,606,665	1,208,649
Glass and Ceramics	64,314	64,314
Insurance	1,642,671	1,642,671
Investment Banks / Investment companies / Securities companies	513,566	513,566
Leasing Companies	12,594	12,594
Leather and Tanneries	45,731	214,868
Oil and Gas Exploration Companies	2,952,721	2,686,730
Oil and Gas Marketing Companies	5,707,820	5,719,991
Paper and Board	670,751	718,972
Pharmaceuticals	2,708,507	1,000,104
Power Generation and Distribution	2,893,502	3,046,397
Real Estate Investment Trust	304,025	305,972
Refinery	756,817	756,715
Sugar and Allied Industries	259,483	259,483
Synthetic and Rayon	15,499	15,499
Technology and Communication	2,408,109	1,040,079
Textile Composite	2,736,219	1,918,908
Textile Spinning	655,195	655,195
Transport	245,937	236,225
Tobacco	695,241	-
Miscellaneous	838,715	454,606
Cost	<u>51,696,434</u>	<u>41,606,225</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Unlisted companies entity - wise	2023		2022	
	Cost	Breakup value	Cost	Breakup value
------(Rupees in '000)-----				
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
Gelcaps Pakistan Limited	4,665	2,961	4,665	2,961
Pakistan Agriculture Storage Service Corporation	5,500	3,551,928	5,500	3,551,928
Al Ameen Textile	327	N/A	327	N/A
Professional Management Modaraba (Formerly Al Zamin Modarba Management (Private) Limited	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	121	N/A	121	N/A
Arabian Sea Country Club	6,500	(7,664)	6,500	(7,664)
Atlas Power Limited	375,000	1,286,500	375,000	1,282,850
Attock Textile Mills Limited	200	N/A	200	N/A
Pakistan Mortgage Refinance Company Limited	600,000	2,156,685	600,000	1,510,050
F.T.C. Management Company Private Limited	250	43,779	250	42,759
Fauji Akbar Portia Marines Terminal Limited	321,076	609,635	321,076	593,184
Fauji Oil Terminals and Distribution Limited	10,886	183,168	10,886	130,687
First Women Bank Limited	21,100	46,319	21,100	79,733
Fortune Securities Limited	5,000	6,702	5,000	8,804
Frontier Textile Mills Limited	500	272	500	272
Gulistan Power Generation Limited	2,200	8,096	2,200	8,096
Hazara Woolen Mills Limited	200	N/A	200	N/A
Industrial Development Bank of Pakistan	107	N/A	107	N/A
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	62,264	30,346	52,988
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Khushhali Microfinance Bank Limited	225,265	178,700	-	-
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
Mutual Fund Association of Pakistan	-	N/A	265	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	55,574	1,526	64,687
National Investment Trust Limited	100	700,276	100	910,231
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410
Pakistan Tourism Development Corporation	100	138	100	138
People Steel Mills Limited	3,276	N/A	3,276	N/A
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,958	107,895	16,958	107,895
Refrigerator Manufacturing Company Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,430,921	132,888	1,089,730
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A

N/A: Not available

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Unlisted companies entity - wise	2023		2022	
	Cost	Breakup value	Cost	Breakup value
------(Rupees in '000)-----				
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(139,326)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Industries	2	N/A	2	N/A
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A
Zulsham Engineering Works Limited	330	N/A	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Pvt) Limited	50,000	428,290	50,000	428,290
Pakistan Corporate Restructuring Company Limited	96,000	N/A	96,000	N/A
Pakvitae (Private) Limited	21,000	-	21,000	N/A
	2,109,486		1,884,485	

N/A: Not available

2023	2022
------(Rupees in '000)-----	

Non Government Debt Securities

Listed

- AAA	14,861	21,818
- AA+, AA, AA-	7,510,782	8,010,870
- A+, A, A-	625,000	800,000
- Unrated	6,127,303	6,130,027
Cost	14,277,946	14,962,715

Unlisted

- AAA	18,395,305	18,927,154
- AA+, AA, AA-	4,693,580	5,151,626
- A+, A, A-	1,838,372	2,147,091
- BBB+, BBB, BBB-	299,760	299,760
- Unrated	13,647,354	10,658,643
Cost	38,874,371	37,184,274

Foreign Securities

Government Securities	2023		2022	
	Cost	Rating	Cost	Rating
(Rupees in '000)				
USA	3,385,022	AA+	1,914,312	AA+

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2023	2022
------(Rupees in '000)-----	

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

Federal Government Securities - Government guaranteed

Market Treasury Bills	161,108	29,519,190
Pakistan Investment Bonds	213,116,482	375,285,244
Ijarah Sukuks	14,087,500	13,130,709
Foreign currency debt securities	4,288,988	2,992,408
Cost	231,654,078	420,927,551

Non Government Debt securities

Unlisted

- Unrated	404,585	404,585
Cost	404,585	404,585

Foreign Securities

	2023		2022	
	Cost (Rupees in '000)	Rating	Cost (Rupees in '000)	Rating
Government Securities				
Azerbaijan	1,028,843	BB+	826,514	BB+
Bangladesh	35,789,601	BB-	31,087,653	BB-
Kyrgyzstan	274,586	B3	814,349	B3
Kingdom of Saudi Arabia	4,202,951	A+	3,367,991	A+
	41,295,981		36,096,507	

Non Government Debt Securities

2023	2022
Note ------(Rupees in '000)-----	

Listed

- Unrated - Cost	1,083	871
------------------	-------	-----

10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Rs. 252,003 million (2022: Rs. 435,936 million)

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

The Bank holds 30,333,333 (2022: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2022: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is bb+ with short term and long term Issuer Default Rating (IDR) at F2 and A- respectively by Fitch Rating Agency.

10.8 Out of 106,014,565 shares, 94,273,510 shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- 10.9** Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 2,979 million (2022: Rs. 1,742 million).
- 10.10** Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.
- 10.11** The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2022	25
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2023	103,931

10.12 Investment in joint venture

	2023	2022
Note	------(Rupees in '000)-----	
10.12.1	12,259,541	7,441,308

United National Bank Limited (UNBL)
(Incorporated in United Kingdom)

- 10.12.1** Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.
- 10.13** The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and shares of Pakistan Engineering Company (135,242 shares). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2023 amounts to Rs. 8,186 million. These shares have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization and can not be sold without concurrence of privatization commission.
- 10.14** The investments also include 31,665,000 shares of Pakistan Reinsurance. The cost of these shares amounts to Rs. 220 million and market value as at December 31, 2023 amounts to Rs. 244 million. These shares can not be sold without concurrence of privatization commission.
- 10.15** The investment also include 20,000,000 shares of First Credit and Investment Bank. The cost of these shares amounts to Rs. 157 million and market value as at December 31, 2023 amounts to Rs. 127 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

10.16 Investments in subsidiaries	2023	2022
	------(Rupees in '000)-----	
Cast-N-Link Products Limited	1,245	1,245
Less: provision for diminution in value of investments	(1,245)	(1,245)
	<u>-</u>	<u>-</u>

10.16.1 The financial statements of Cast-N-Link Products Limited (CNL) are not available since the year 1997. Accordingly, the management of the Group had applied to the Securities and Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 228 of the Companies Act, 2017 (the Act) in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-103 dated November 18, 2019, has not acceded the Bank's request from the exemption from consolidation of CNL in its consolidated financial statements for the year ended December 31, 2019 and further directed to comply with the requirement of section 228 of the Act. However the Bank, based on the fact that investment of the Group in CNL is not material and comprise of 0.000024% of the total assets of the Bank and the investment have been fully provided for, has not consolidated the financial statements of CNL.

11. ADVANCES

Note	Performing		Non Performing		Total	
	2023	2022	2023	2022	2023	2022
	------(Rupees in '000)-----					
Loans, cash credits, running finances, etc.	1,325,108,441	1,168,292,452	205,901,344	190,934,209	1,531,009,785	1,359,226,661
Islamic financing and related assets	73,125,444	46,381,315	1,550,351	654,980	74,675,795	47,036,295
Net Investment in finance lease	16,207	35,384	24,096	28,944	40,303	64,328
Bills discounted and purchased	12,534,791	18,598,616	13,644,646	14,106,504	26,179,437	32,705,120
Advances - gross	1,410,784,883	1,233,307,767	221,120,437	205,724,637	1,631,905,320	1,439,032,404
Provision against advances						
- Specific	-	-	203,794,530	191,014,747	203,794,530	191,014,747
- General	30,038,121	17,348,539	-	-	30,038,121	17,348,539
	30,038,121	17,348,539	203,794,530	191,014,747	233,832,651	208,363,286
Advances - net of provision	1,380,746,762	1,215,959,228	17,325,907	14,709,890	1,398,072,669	1,230,669,118

11.1 Net Investment in Finance Lease

	2023				2022			
	Not later than one year	Later than one and upto five years	Over five years	Total	Not later than one year	Later than one and upto five years	Over five years	Total
	------(Rupees in '000)-----							
Lease rentals receivable	48,296	-	-	48,296	52,152	-	-	52,152
Residual value	16,332	-	-	16,332	36,505	-	-	36,505
Minimum lease payments	64,628	-	-	64,628	88,657	-	-	88,657
Less: Financial charges for future periods	24,325	-	-	24,325	24,329	-	-	24,329
Present value of minimum lease payments	40,303	-	-	40,303	64,328	-	-	64,328

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favor of the Group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (2022: 10.19% to 14.85%) per annum.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	------(Rupees in '000)-----	
11.2 Particulars of advances (Gross)		
In local currency	1,334,446,843	1,264,480,814
In foreign currencies	297,458,477	174,551,590
	<u>1,631,905,320</u>	<u>1,439,032,404</u>

11.3 Advances include Rs. 221,120 million (2022: 205,725 million) which have been placed under non-performing status as detailed below.

Category of Classification	2023		2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	2,156,275	60,035	1,789,957	73,114
Substandard	6,421,005	1,560,252	5,888,114	1,439,917
Doubtful	11,443,314	5,980,028	8,883,354	4,648,305
Loss	136,054,217	133,629,152	135,113,451	132,837,538
	<u>156,074,811</u>	<u>141,229,467</u>	<u>151,674,876</u>	<u>138,998,874</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	400,925	200,463	331,133	165,567
365 days	64,644,701	62,364,600	53,718,628	51,850,306
	<u>65,045,626</u>	<u>62,565,063</u>	<u>54,049,761</u>	<u>52,015,873</u>
Total	<u>221,120,437</u>	<u>203,794,530</u>	<u>205,724,637</u>	<u>191,014,747</u>

11.4 Particulars of provision against advances

Note	2023			2022		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	191,014,747	17,348,539	208,363,286	179,654,610	12,472,591	192,127,201
Exchange adjustments	12,170,170	153,606	12,323,776	8,349,754	107,952	8,457,706
Charge for the year	8,127,428	14,854,298	22,981,726	5,227,345	9,553,101	14,780,446
Reversals	(8,129,837)	(1,530,934)	(9,660,771)	(5,011,542)	(1,757,105)	(6,768,647)
	(2,409)	13,323,364	13,320,955	215,803	7,795,996	8,011,799
Other movement	16,894	-	16,894	-	-	-
Amounts written off	(147,653)	-	(147,653)	(177,162)	-	(177,162)
Amounts charged off-agriculture financing	(44,607)	-	(44,607)	(56,258)	-	(56,258)
Transfer from general to specific provision	787,388	(787,388)	-	3,028,000	(3,028,000)	-
Closing balance	<u>203,794,530</u>	<u>30,038,121</u>	<u>233,832,651</u>	<u>191,014,747</u>	<u>17,348,539</u>	<u>208,363,286</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

11.4.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
In local currency	141,229,466	29,767,923	170,997,389	138,998,874	16,741,242	155,740,116
In foreign currencies	62,565,064	270,198	62,835,262	52,015,873	607,297	52,623,170
	203,794,530	30,038,121	233,832,651	191,014,747	17,348,539	208,363,286

11.4.1.1 General provision includes provision amounting to Rs. 4,987 million (2022: Rs. 5,211) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 270 million (2022: Rs. 607 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Group operates.

Keeping in view the portfolio assessment and the estimated impact of adoption of IFRS 9, the Bank has also maintained a general provision of Rs. 24,781 million (2022: Rs. 11,530 million) against underperforming portfolio on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2023. No provision is required against these loans; however, mark-up is being suspended as required by the Prudential Regulations.

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

	Note	2023	2022
		------(Rupees in '000)-----	
11.5 Particulars of write-offs			
11.5.1 Against provisions	11.5.2	147,653	170,824
11.5.2 Write-offs of Rs. 500,000 and above			
- Domestic		41,087	128,797
- Overseas		61,582	1,649
	11.6	102,669	130,446
Write-offs of below Rs. 500,000		44,984	40,378
Total Write offs		147,653	170,824
Total Reversals		-	6,338

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2023 is given in Annexure-I to the consolidated financial statements (except where such disclosure is restricted by overseas regulatory authorities).

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
12. FIXED ASSETS		
Capital work-in-progress	1,639,234	1,086,001
Property and equipment	55,837,833	56,518,342
	57,477,067	57,604,343
12.1 Capital work-in-progress		
Civil works	1,569,774	1,010,529
Equipment	10,727	10,825
Advances to suppliers and contractors	58,733	64,647
	1,639,234	1,086,001
12.2 Property and equipment		

	2023												
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total

At January 1, 2023	21,472,757	21,087,923	7,467,088	5,618,029	7,754,929	5,465,672	8,060,552	2,064,610	467,099	9,627	273,248	14,367	79,755,901
Cost / revalued amount	-	-	(1,786,019)	(1,434,403)	(6,030,316)	(5,066,624)	(7,061,438)	(1,304,951)	(294,782)	(4,339)	(253,524)	(1,163)	(23,237,559)
Accumulated depreciation	21,472,757	21,087,923	5,681,069	4,183,626	1,724,613	399,048	999,114	759,659	172,317	5,288	19,724	13,204	56,518,342
Net book value	-	-	-	-	-	-	-	-	-	-	-	-	-

At January 1, 2023

Cost / revalued amount
Accumulated depreciation
Net book value

Year ended December 2023

Opening net book value	21,472,757	21,087,923	5,681,069	4,183,626	1,724,613	399,048	999,114	759,659	172,317	5,288	19,724	13,204	56,518,342
Additions	-	-	65,247	101,275	730,955	484,586	507,162	287,412	158,766	-	-	-	2,335,404
Movement in surplus on assets revalued	-	-	-	17,842	-	-	202	77	-	-	-	-	18,121
Disposals	-	-	-	(178,130)	(30,190)	(9,101)	(10,737)	(55,180)	(116,375)	-	-	-	(399,713)
Depreciation charge	-	-	(294,946)	(202,648)	(539,884)	(611,348)	(563,356)	(325,670)	(65,670)	(961)	-	-	(2,594,483)
Depreciation adjustment - disposal	-	-	-	3,750	18,347	8,849	9,185	33,015	92,004	-	-	-	165,150
Exchange rate adjustments	-	-	-	54,303	13,383	32,783	9,683	1,670	-	-	-	-	111,822
Other adjustments / transfers - cost	-	-	-	-	(293,665)	-	-	-	(29,290)	-	-	-	(322,955)
Other adjustments / transfers - depreciation	-	-	1	-	(115)	(489)	(682)	-	7,430	-	-	-	6,145
Closing net book value	21,472,757	21,087,923	5,451,371	3,980,018	1,623,444	304,328	960,571	700,983	219,182	4,327	19,724	13,204	55,837,833

At December 31, 2023

Cost / revalued amount
Accumulated depreciation
Net book value

Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20%-50% on cost	20% on cost	20% on cost	10% on cost	33% on cost	20% on cost	25% to cost book value
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NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2022												
------(Rupees in '000)-----												
Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office	Assets held under - Machinery	Assets held under - Vehicle	Total
20,370,446	19,465,743	6,526,538	5,146,223	7,123,227	5,184,275	7,687,505	2,015,331	454,953	9,627	192,094	14,367	74,190,329
-	-	(1,523,658)	(1,239,456)	(5,392,205)	(4,690,269)	(6,560,566)	(1,127,562)	(284,744)	(3,377)	(172,342)	(1,159)	(20,985,338)
20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,006	1,136,939	887,769	170,209	6,250	19,752	13,208	53,204,991
20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,006	1,136,939	887,769	170,209	6,250	19,752	13,208	53,204,991
-	-	192,927	337,325	648,311	299,428	325,542	235,871	93,001	-	-	-	2,132,305
1,110,306	1,622,180	791,946	167,353	-	-	-	-	-	-	-	-	3,691,785
-	-	(61)	(61)	(19,998)	(16,493)	(11,336)	(186,098)	(80,855)	-	-	-	(314,841)
-	-	(262,362)	(195,858)	(654,965)	(393,592)	(525,724)	(315,499)	(64,057)	(962)	(28)	(4)	(2,413,051)
-	-	-	61	16,566	16,021	11,063	135,560	54,019	-	-	-	233,290
-	-	-	(11,024)	3,652	-	3,611	2,644	-	-	-	-	(1,117)
(7,995)	-	(44,223)	(21,787)	(263)	(1,538)	55,230	(3,138)	-	-	81,154	-	57,440
-	-	1	850	288	1,216	3,789	2,550	-	-	(81,154)	-	(72,460)
21,472,757	21,087,923	5,681,069	4,183,626	1,724,613	399,048	999,114	759,659	172,317	5,288	19,724	13,204	56,518,342

At December 31, 2022

Cost / revalued amount	21,472,757	21,087,923	7,467,088	5,618,029	7,754,929	8,060,552	2,064,610	467,099	9,627	273,248	14,367	79,755,901	
Accumulated depreciation	-	-	(1,786,019)	(1,434,403)	(6,030,316)	(5,066,624)	(7,061,438)	(1,304,951)	(294,782)	(4,339)	(253,524)	(1,163)	(23,237,559)
Net book value	21,472,757	21,087,923	5,681,069	4,183,626	1,724,613	399,048	999,114	759,659	172,317	5,288	19,724	56,518,342	

Rate of depreciation (percentage)

Revaluation of Properties

	Nil	5% on book value	5% on book value	20% on cost	20% on cost	20%-50% on cost	20% on cost	20% on cost	25% to 33% on cost	20% on book value
Nil										

The properties of the Bank have been revalued by the independent professional valuer as at December 31, 2022. The revaluation was carried out by an independent professional valuer, RBS Associates (Private) Limited (PBA registered valuer) on the basis of professional assessment of present market values. The total surplus against revaluation of fixed assets as at December 31, 2023, amounts to Rs. 47,396 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2023, would have been as follows:

	2023	2022
	------(Rupees in '000)-----	
Freehold land	1,132,637	1,132,637
Leasehold land	890,025	890,025
Building on freehold land	1,076,598	1,013,440
Building on leasehold land	2,006,052	1,909,929
	5,105,312	4,946,031
Carrying amount of temporarily idle property of the Bank	5,583,785	5,319,961
The cost of fully depreciated assets still in use		
Furniture and fixtures	2,261,860	2,152,106
Electrical and office equipment	3,658,267	3,278,441
Computer and peripheral equipment	3,515,860	3,282,996
Vehicles	1,435,407	1,333,988
	10,871,394	10,047,531

12.2.2

12.2.3

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties (Employees / Ex-Employees) are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Vehicles	1,824	152	365	213	As per Entitlement	Employee	Mr.Riaz Mahmood
Vehicles	1,824	334	365	31	As per Entitlement	Employee	Mr.Mobashir Nabi
Vehicles	1,824	152	365	213	As per Entitlement	Employee	Ms.Nadia Ahmer
Vehicles	2,029	203	203	-	As per Entitlement	Employee	Mr.Jalil Ahmed Tariq
Vehicles	2,229	706	706	-	As per Entitlement	Ex-Employee	Mr.Javed Haider
Vehicles	2,695	1,752	1,752	-	As per Entitlement	Ex-Employee	Mr.Sohail Akhtar Arbab
Vehicles	2,623	1,792	1,792	-	As per Entitlement	Employee	Mr.Saeed Ahmed Shah
Vehicles	8,908	5,048	5,048	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Vehicles	1,824	30	182	152	As per Entitlement	Ex-Employee	Mr.Naveed Sultan
Vehicles	2,623	1,749	1,749	-	As per Entitlement	Employee	Mr. Manzoor Ahmed
Vehicles	2,675	1,516	1,516	-	As per Entitlement	Employee	Mr.Muhammad Zaman Khan
Vehicles	2,380	793	793	-	As per Entitlement	Employee	Mr.Abdul Majid Sheikh
Vehicles	2,723	1,452	1,452	-	As per Entitlement	Employee	Mr.Noor Ul Islam
Vehicles	2,525	800	800	-	As per Entitlement	Employee	Mr.Abdul Jamal Tariq
Vehicles	2,723	1,498	1,498	-	As per Entitlement	Employee	Mr.Mumtaz Ahmed Farooq
Vehicles	2,723	1,271	1,271	-	As per Entitlement	Employee	Mr.Nasir Khan
Vehicles	2,525	842	842	-	As per Entitlement	Employee	Mr.Mubashir Ahmed
Vehicles	2,775	1,711	1,711	-	As per Entitlement	Employee	Mr.Moeen-Ud-Din
	49,452	21,801	22,410	609			
Computer and peripheral equipment	101	-	10	10	As per Entitlement	Employee	Mr.Javed Ashraf
Computer and peripheral equipment	100	-	10	10	As per Entitlement	Employee	Mr.Agha Abdul Hakeem
Computer and peripheral equipment	115	-	12	12	As per Entitlement	Employee	Ms.Hina Saleem
Computer and peripheral equipment	111	-	11	11	As per Entitlement	Employee	Mr.Khalid Ahmed
Computer and peripheral equipment	122	-	12	12	As per Entitlement	Employee	Mr.Zeeshan Siddiqui
Computer and peripheral equipment	127	-	13	13	As per Entitlement	Employee	Mr.Azmat Zuberi
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Mr.Muhammad Adeel Khan
Computer and peripheral equipment	112	-	11	11	As per Entitlement	Employee	Mr.Murshid Ali Khan
Computer and peripheral equipment	268	-	27	27	As per Entitlement	Employee	Mr.Amin Manji
Computer and peripheral equipment	121	-	12	12	As per Entitlement	Employee	Mr.Vinod Kumar
Computer and peripheral equipment	127	-	13	13	As per Entitlement	Employee	Mr.Maqqsood Ahmed Siddiqui
Computer and peripheral equipment	126	-	13	13	As per Entitlement	Employee	Mr.Raheel Iqbal
Computer and peripheral equipment	109	-	11	11	As per Entitlement	Employee	Ms.Sana Aslam
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Mr.Aijaz Hyder Shaikh
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Mr.Sabghatullah Shaikh
Computer and peripheral equipment	224	-	22	22	As per Entitlement	Employee	Mr.Abdul Wahid Sethi
Computer and peripheral equipment	127	-	13	13	As per Entitlement	Employee	Mr.Amer Nasrullah
Computer and peripheral equipment	118	-	12	12	As per Entitlement	Employee	Mr.Hamid Hassan
Computer and peripheral equipment	118	-	12	12	As per Entitlement	Employee	Mr.Umair Asghar Khan
Computer and peripheral equipment	140	-	14	14	As per Entitlement	Employee	Mr.Asif Khan
Computer and peripheral equipment	124	-	12	12	As per Entitlement	Employee	Mr.Waqee Siddiqui
Computer and peripheral equipment	125	-	13	13	As per Entitlement	Employee	Mr.Wajahat Aziz Qureshi
Computer and peripheral equipment	122	-	12	12	As per Entitlement	Employee	Mr.Tahir Abbas
Computer and peripheral equipment	122	-	12	12	As per Entitlement	Employee	Mr.Ehtisham Rashid
Computer and peripheral equipment	128	-	13	13	As per Entitlement	Employee	Mr.Abdul Waheed Sabir
Computer and peripheral equipment	121	-	12	12	As per Entitlement	Employee	Ms.Sapna
Computer and peripheral equipment	120	-	12	12	As per Entitlement	Employee	Mr.Faisal Khan
Computer and peripheral equipment	112	-	11	11	As per Entitlement	Employee	Ms.Ramsha Areeb
Computer and peripheral equipment	118	-	12	12	As per Entitlement	Employee	Mr.Zubair Ahmed
Computer and peripheral equipment	128	-	13	13	As per Entitlement	Employee	Ms.Amber Salim
Computer and peripheral equipment	134	-	13	13	As per Entitlement	Employee	Mr.Shoaib Qaisarani
Computer and peripheral equipment	113	-	11	11	As per Entitlement	Employee	Ms.Fouzia Nawaz Baloch
Computer and peripheral equipment	120	-	12	12	As per Entitlement	Employee	Mr.Arif
Computer and peripheral equipment	115	-	11	11	As per Entitlement	Employee	Mr.Nauman Ahmed
Computer and peripheral equipment	118	-	12	12	As per Entitlement	Employee	Mr.Amir Khan
Computer and peripheral equipment	121	-	12	12	As per Entitlement	Employee	Mr.Khurram Jafri
Computer and peripheral equipment	159	-	16	16	As per Entitlement	Employee	Mr.Sufyan Islam
Computer and peripheral equipment	112	-	11	11	As per Entitlement	Employee	Mr.Muhammad Ahmer
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Computer and peripheral equipment	192	-	19	19	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Computer and peripheral equipment	145	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie

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For the year ended December 31, 2023

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Computer and peripheral equipment	140	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Computer and peripheral equipment	227	-	23	23	As per Entitlement	Ex-Employee	Ms.Asma Shaikh
Computer and peripheral equipment	128	-	13	13	As per Entitlement	Employee	Mr.Syed Arshad Ali
Computer and peripheral equipment	96	-	10	10	As per Entitlement	Ex-Employee	Mr.Syed Jamal Baquar
Computer and peripheral equipment	102	-	10	10	As per Entitlement	Ex-Employee	Ms.Saima Abdul Rashid
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Ex-Employee	Mr.S Shoaib Ur Rehman
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Ex-Employee	Mr.Muhammad Mubashir Ahmed
Computer and peripheral equipment	96	-	10	10	As per Entitlement	Ex-Employee	Mr.Mumtaz A Farooq
Computer and peripheral equipment	100	-	10	10	As per Entitlement	Ex-Employee	Mr.Muhammad Farukh Ghauri
Computer and peripheral equipment	191	-	-	-	As per Entitlement	Ex-Employee	Mr.Umair Wasti
Computer and peripheral equipment	131	-	13	13	As per Entitlement	Ex-Employee	Mr.Muhammad Fuad Mohsin
Computer and peripheral equipment	193	-	-	-	As per Entitlement	Ex-Employee	Mr.Nauman Riaz
	6,708	-	604	604			
Electrical & Office equipments	135	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Electrical & Office equipments	148	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Electrical & Office equipments	230	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Electrical & Office equipments	331	-	-	-	As per Entitlement	Ex-Employee	Ms.Asma Shaikh
Electrical & Office equipments	306	-	-	-	As per Entitlement	Ex-Employee	Mr.Nauman Riaz
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Ms.Saima Abdul Rashid
Electrical & Office equipments	114	-	-	-	As per Entitlement	Ex-Employee	Mr.Jamal Baquar
Electrical & Office equipments	288	-	-	-	As per Entitlement	Ex-Employee	Mr.Jamal Baquar
Electrical & Office equipments	70	-	-	-	As per Entitlement	Ex-Employee	Mr.Ali Mansoor
Electrical & Office equipments	265	-	-	-	As per Entitlement	Ex-Employee	Mr.Umair Wasti
Electrical & Office equipments	40	-	-	-	As per Entitlement	Ex-Employee	Mr. Muhammad Fuad Mohsin
Electrical & Office equipments	42	-	-	-	As per Entitlement	Ex-Employee	Mr.Muhammad Fuad Mohsin
Electrical & Office equipments	800	573	573	-	As per Entitlement	Ex-Employee	Mr.Jamal Baquar
Electrical & Office equipments	800	-	-	-	As per Entitlement	Employee	Mr.Rehmat Ali Hasnie
Electrical & Office equipments	800	427	427	-	As per Entitlement	Ex-Employee	Mr.Ali Mansoor
	4,419	1,000	1,000	-			
Furniture and fixture	225	37	37	-	As per Entitlement	Ex-Employee	Mr.Naveed Sultan
Furniture and fixture	160	15	15	-	As per Entitlement	Ex-Employee	Mr.Muhammad Yahya
Furniture and fixture	330	19	19	-	As per Entitlement	Ex-Employee	Mr.Javed Haider
Furniture and fixture	160	18	18	-	As per Entitlement	Ex-Employee	Mr.Manzoor Hussain Niza
Furniture and fixture	160	33	33	-	As per Entitlement	Ex-Employee	Mr.Syed Amjad Hussain Bukhari
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Ms.Sumbul Akhter
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Ms.Samreen Zehra
Furniture and fixture	160	1	1	-	As per Entitlement	Ex-Employee	Mr.Ahmed Kashif Khan
Furniture and fixture	160	53	53	-	As per Entitlement	Ex-Employee	Mr.Muhammad Akbar
Furniture and fixture	160	16	16	-	As per Entitlement	Ex-Employee	Mr.Rafiq Ahmed
Furniture and fixture	160	41	41	-	As per Entitlement	Ex-Employee	Mr.Asgar Hameed
Furniture and fixture	160	60	60	-	As per Entitlement	Ex-Employee	Mr.Muhammad Najeeb Hassan
Furniture and fixture	160	49	49	-	As per Entitlement	Ex-Employee	Mr.Muhammad Akram Khan
Furniture and fixture	190	48	48	-	As per Entitlement	Ex-Employee	Mr.Muhammad Yousuf Raza
Furniture and fixture	190	18	18	-	As per Entitlement	Ex-Employee	Mr.Syed Taha Tanveer Ali
Furniture and fixture	160	63	63	-	As per Entitlement	Ex-Employee	Mr.Late Amjad
Furniture and fixture	160	1	1	-	As per Entitlement	Ex-Employee	Mr.Aftab Azeem
Furniture and fixture	225	62	62	-	As per Entitlement	Ex-Employee	Mr.Saeed Ahmed Shah
Furniture and fixture	160	144	144	-	As per Entitlement	Ex-Employee	Mr.Naeem Hassan
Furniture and fixture	200	127	127	-	As per Entitlement	Ex-Employee	Mr.Syed Murtaza Shah
Furniture and fixture	200	107	107	-	As per Entitlement	Ex-Employee	Mr.Imtiaz Ahmed Shaikh
Furniture and fixture	190	63	63	-	As per Entitlement	Ex-Employee	Mr.Amanullah
Furniture and fixture	160	5	5	-	As per Entitlement	Ex-Employee	Mr.Aamir Rizwan
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Shahadat Hussain
Furniture and fixture	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Masihullah
Furniture and fixture	190	38	38	-	As per Entitlement	Ex-Employee	Mr.Arshad Rizwan
Furniture and fixture	335	89	89	-	As per Entitlement	Ex-Employee	Mr.Dr.Jalil Ahmad Tariq
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Sakhi Jan Khattak
Furniture and fixture	190	22	22	-	As per Entitlement	Ex-Employee	Mr.Mansoor Ahmad
Furniture and fixture	160	43	43	-	As per Entitlement	Ex-Employee	Mr.Abdul Hafeez Sehto
Furniture and fixture	190	93	93	-	As per Entitlement	Ex-Employee	Mr.Muhammad Ayub
Furniture and fixture	160	32	32	-	As per Entitlement	Ex-Employee	Mr.Tariq Majeed Malkana
Furniture and fixture	160	27	27	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sharif
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Mr.Mir Faiz Hussain Talpur
Furniture and fixture	160	29	29	-	As per Entitlement	Ex-Employee	Mr.Sobho Zardari

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Furniture and fixture	200	28	28	-	As per Entitlement	Ex-Employee	Mr.Muhammad Farrukh Ghauri
Furniture and fixture	160	20	20	-	As per Entitlement	Ex-Employee	Mr.Muhammad Shoaib
Furniture and fixture	160	52	52	-	As per Entitlement	Ex-Employee	Mr.Saleh Muhammad Baloch
Furniture and fixture	160	52	52	-	As per Entitlement	Ex-Employee	Mr.Syed Wajid Ali
Furniture and fixture	335	104	104	-	As per Entitlement	Ex-Employee	Mr.Muhammad Zaman Khan
Furniture and fixture	160	47	47	-	As per Entitlement	Ex-Employee	Mr.Amjad Masood
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Abdul Majid Sheikh
Furniture and fixture	200	63	63	-	As per Entitlement	Ex-Employee	Mr.Noor Ul Islam
Furniture and fixture	175	-	-	-	As per Entitlement	Ex-Employee	Mr.Abdul Jamal Tariq Hassan
Furniture and fixture	200	53	53	-	As per Entitlement	Ex-Employee	Mr.Muhammad Mumtaz Ahmed Farooq
Furniture and fixture	160	25	25	-	As per Entitlement	Ex-Employee	Mr.Ishrat Bokhari
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	Mr.Mansoor Ahmed
Furniture and fixture	190	33	33	-	As per Entitlement	Ex-Employee	Mr.Ashraf Ali Abbasi
Furniture and fixture	200	27	27	-	As per Entitlement	Ex-Employee	Mr.Nasir Khan
Furniture and fixture	175	6	6	-	As per Entitlement	Ex-Employee	Mr.Rao Naem Ahmed
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Gohar Abbas
Furniture and fixture	190	41	41	-	As per Entitlement	Ex-Employee	Mr.Muhamamd Nabi
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Zafar Irshad
Furniture and fixture	200	45	45	-	As per Entitlement	Ex-Employee	Mr.Shamim Ul Hassan Waheed
Furniture and fixture	160	43	43	-	As per Entitlement	Ex-Employee	Mr.Muhammad Yousaf
Furniture and fixture	200	55	55	-	As per Entitlement	Ex-Employee	Mr.Manzoor Ahmad
Furniture and fixture	160	32	32	-	As per Entitlement	Ex-Employee	Mr.Arshad Ali
	10,290	2,467	2,467	-			
	70,869	25,268	26,481	1,213			

13. INTANGIBLE ASSETS

Capital work-in-progress
Intangible assets

	2023	2022
Note	------(Rupees in '000)-----	
	470,540	869,907
13.1	1,715,754	1,231,415
	2,186,294	2,101,322

13.1 Intangible assets

	2023				
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Total
------(Rupees in '000)-----					
At January 1, 2023					
Cost	2,913,952	2,296,410	1,041	655,146	5,866,549
Accumulated amortisation and impairment	(2,913,952)	(1,627,548)	(1,041)	(92,593)	(4,635,134)
Net book value	-	668,862	-	562,553	1,231,415
Year ended December 2023					
Opening net book value	-	668,862	-	562,553	1,231,415
Additions:					
- developed internally	-	30,000	-	-	30,000
- through acquisitions / purchase	-	690,490	-	-	690,490
Adjustments - addition	-	(789)	-	-	(789)
Amortisation charge	-	(324,753)	-	-	(324,753)
Exchange rate adjustments	-	88,778	-	-	88,778
Other adjustments - amortisation	-	613	-	-	613
Closing net book value	-	1,153,201	-	562,553	1,715,754
At December 31, 2023					
Cost	2,913,952	3,104,889	1,041	655,146	6,675,028
Accumulated amortisation and impairment	(2,913,952)	(1,951,688)	(1,041)	(92,593)	(4,959,274)
Net book value	-	1,153,201	-	562,553	1,715,754
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	
Useful life	3 years	3 years	3 years		

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2022				Total
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	
------(Rupees in '000)-----					
At January 1, 2022					
Cost	2,913,952	1,870,623	1,041	655,146	5,440,762
Accumulated amortisation and impairment	(2,913,952)	(1,261,730)	(1,041)	(92,593)	(4,269,316)
Net book value	-	608,893	-	562,553	1,171,446
Year ended December 2022					
Opening net book value	-	608,893	-	562,553	1,171,446
Additions:					
- developed internally	-	57,315	-	-	57,315
- directly purchased	-	296,952	-	-	296,952
Adjustments - addition	-	28,750	-	-	28,750
Disposals	-	-	-	-	-
Amortisation charge	-	(365,818)	-	-	(365,818)
Exchange rate adjustments	-	42,770	-	-	42,770
Other adjustments - cost	-	-	-	-	-
Other adjustments - amortization	-	-	-	-	-
Closing net book value	-	668,862	-	562,553	1,231,415
At December 31, 2022					
Cost	2,913,952	2,296,410	1,041	655,146	5,866,549
Accumulated amortisation and impairment	(2,913,952)	(1,627,548)	(1,041)	(92,593)	(4,635,134)
Net book value	-	668,862	-	562,553	1,231,415
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	
Useful life	3 years	3 years	3 years		

- 13.2** For the purpose of impairment testing of goodwill, management has considered discounted cash flow method using cost of equity of 21% and terminal growth of 3.0% considering five years cash flows. Further, discount for lack of marketability is also considered at the rate of 21%. Other key assumption used in the method are management fees, growth rates on asset under management keeping in view of industry growth, expenses based on the historic growth trends, short term investment with the assumption of reinvestment and discount rate which is based on risk free rate, sector beta and market equity risk premium.

For the past 5 years, the company has provided sustainable profitability. As a result, the recoverable amount exceeds the carrying value as at December 31, 2023, therefore, management did not identify any impairment.

- 13.3** The cost of fully amortised intangible assets that are still in use.

	2023	2022
------(Rupees in '000)-----		
Core Banking Application	2,913,952	2,913,952
Computer software	927,410	873,310
Website	1,041	1,041
	3,842,403	3,788,303
14. RIGHT OF USE ASSETS		
Opening balance	7,186,067	7,090,980
Additions during the year	2,374,880	2,421,546
Derecognition during the year	(59,820)	(19,860)
Depreciation charged for the year	(2,165,226)	(2,306,599)
Closing balance	7,335,901	7,186,067

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

15. DEFERRED TAX ASSETS / (DEFERRED TAX LIABILITIES)

2023

At January 01, 2023	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2023
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------(Rupees in '000)-----

Deductible temporary differences on

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

10,705	-	-	10,705
7,467,549	41,331	(506,410)	7,002,470
236,751	-	-	236,751
12,925,197	(2,781,685)	-	10,143,512
115,222	-	-	115,222
1,395,724	154,893	-	1,550,617
107,841	(9,052)	-	98,789
670,604	(18,752)	-	651,852
22,929,593	(2,613,265)	(506,410)	19,809,918

Taxable temporary differences on

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

(2,968,387)	180,464	(433,606)	(3,221,529)
(7,890)	11,551	12,377	16,038
3,208,916	-	(19,432,227)	(16,223,311)
(21,752)	-	(85,096)	(106,848)
(734,250)	-	(382,586)	(1,116,836)
(523,363)	192,015	(20,321,138)	(20,652,486)
22,406,230	(2,421,250)	(20,827,548)	(842,568)

2022

At January 01, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2023
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------(Rupees in '000)-----

Deductible temporary differences on

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

10,705	-	-	10,705
5,072,768	34,236	2,360,545	7,467,549
236,751	-	-	236,751
10,457,938	2,467,259	-	12,925,197
115,222	-	-	115,222
1,079,805	315,919	-	1,395,724
107,841	-	-	107,841
502,538	168,066	-	670,604
17,583,568	2,985,480	2,360,545	22,929,593

Taxable temporary differences on

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

(2,446,324)	149,134	(671,197)	(2,968,387)
796	(8,655)	(31)	(7,890)
(12,715,501)	82	15,924,335	3,208,916
(52,732)	-	30,980	(21,752)
(466,996)	-	(267,254)	(734,250)
(15,680,757)	140,561	15,016,833	(523,363)
1,902,811	3,126,041	17,377,378	22,406,230

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
	Note	------(Rupees in '000)-----	
16. OTHER ASSETS			
Income / return / mark-up accrued in local currency - net of provision		185,624,656	99,446,324
Income / return / mark-up accrued in foreign currency - net of provision		4,531,523	4,012,820
Advances, deposits, advance rent and other prepayments	16.1	3,045,383	3,176,299
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	1,133,524	11,063,715
Compensation for delayed tax refunds		22,129,925	20,809,580
Non-banking assets acquired in satisfaction of claims	16.4	1,169,898	1,179,943
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Acceptances		8,100,364	20,644,122
Commission receivable on Government treasury transactions		5,182,665	5,253,389
Stationery and stamps on hand		472,575	437,900
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	16.2	323,172	323,172
Receivable from Government under VHS scheme	16.3	418,834	418,834
Receivable against sale / purchase of shares		234,079	823,140
Receivable from SBP		24,698,013	-
Receivable from Pakistan Stock Exchange		292,822	173,941
Receivable from mutual funds		1,238,517	985,894
Receivable from Customers		377,044	-
Others		9,052,672	8,312,213
		268,429,488	177,465,108
Less: Provision held against other assets	16.5	12,495,413	12,244,043
Other assets (net of provision)		255,934,075	165,221,065
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,803,228	2,520,000
Other assets - total		258,737,303	167,741,065

16.1 This includes Rs. 1,400 million (2022: Rs. 1,400 million) advance against Pre-IPO placement of Term Finance Certificates and REIT Fund.

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	------(Rupees in '000)-----	
16.4		
Market value of Non-banking assets acquired in satisfaction of claims	3,973,126	3,699,943

An independent valuation of the Bank's non-banking assets was performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2023. The valuation was carried out by K.G. Traders (Pvt) Limited (PBA registered valuer) on the basis of an assessment of present market values.

	2023	2022
	------(Rupees in '000)-----	
16.4.1		
Non-banking assets acquired in satisfaction of claims		
Opening balance	3,699,943	4,059,546
(Deficit) / surplus	283,228	(343,886)
Depreciation	(10,045)	(15,717)
Closing Balance	3,973,126	3,699,943

16.5		
Provision held against other assets		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	800,000	800,000
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	4,377,337	4,297,516
Ex-MBL / NDFC	760,941	760,875
Assets acquired from Corporate and Industrial Restructuring Corporation asset (CIRC)	208,423	208,423
Others	5,162,158	4,990,675
	12,495,413	12,244,043

16.5.1		
Movement in provision held against other assets		
Opening balance	12,244,043	11,709,318
Charge for the year	239,045	562,955
Other movement	57,519	-
Adjustment against provision	(45,194)	(28,230)
Closing balance	12,495,413	12,244,043

16.6 During the year, the Bank has adjusted an amount of Rs. 9,099 million (2022: Rs. 7,475 million) against its advance tax liability and demand of previous tax year against income tax refunds receivables. Further, refunds amounting to Rs. 10,650 million (2022: 5,404 million) were also determined.

	2023	2022
	------(Rupees in '000)-----	
17.		
BILLS PAYABLE		
In Pakistan	67,822,126	54,969,587
Outside Pakistan	178,322	298,432
	68,000,448	55,268,019

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
	Note	------(Rupees in '000)-----	
18. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	29,815,400	37,142,580
Financing Scheme for Renewable Energy	18.3	1,289,488	1,019,611
Refinance Facility for Modernization of SMEs	18.4	95,111	43,824
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	599,548	667,327
Under Long Term Financing Facility (LTFF)	18.6	17,197,820	20,254,808
Refinance Scheme for Payment of Wages and Salaries	18.7	-	35,950
Temporary Economic Refinance Facility	18.8	22,827,889	24,126,421
Refinance and Credit Guarantee Scheme for Women Entrepreneurs (RCWE)	18.9	29,220	-
Refinance Facility for Combating Covid-19	18.10	45,352	66,159
Export Refinance scheme for Bill Discounting	18.11	2,606,143	1,075,204
		74,505,971	84,431,884
Repurchase agreement borrowings	18.12	2,064,472,106	1,826,206,763
Bai Muajjal	18.13	-	4,036,995
Total secured		2,138,978,077	1,914,675,642
Unsecured			
Call borrowings	18.12	19,434,142	25,810,145
Overdrawn nostro accounts		19,330,975	-
Total unsecured		38,765,117	25,810,145
		2,177,743,194	1,940,485,787
18.1 Particulars of borrowings with respect to currencies			
In local currency		2,140,248,077	1,923,848,931
In foreign currencies		37,495,117	16,636,856
		2,177,743,194	1,940,485,787

18.2 The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within 180 days. These carry mark-up at rates ranging from 13.00% to 19.00% (2022: 3.00% to 13.00%) per annum.

18.3 These borrowings have been obtained from the SBP for providing financing facilities to address challenges of energy shortage and climate change through promotion of renewable energy. These borrowings shall be repayable for a maximum period of twelve (12) years. These carry mark-up at rates ranging from 2.00% to 3.00% (2022: 2.00% to 3.00%) per annum.

18.4 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings shall be repayable for a maximum period of ten years and carry mark-up at rates upto 2.00% (2022: 2.00%) per annum.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

- 18.5** These borrowings have been obtained from the SBP for providing financing facilities to develop the agricultural produce marketing and enhance storage capacity, to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.5% to 3.5% (2022: 2.5% to 3.5%) per annum.
- 18.6** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 4.0% to 19.0% (2022: 2.00% to 4.00%) per annum.
- 18.7** These borrowings have been obtained from the SBP with a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath of corona virus (COVID-19) outbreak. These borrowings are repayable for a maximum period of 2.5 years. These carry mark-up at rates ranging from Nil (2022: 1.00% to 2.00%) per annum.
- 18.8** These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up new industrial units in the backdrop of challenges faced by the industries during the pandemic. These borrowings are repayable for a maximum period of 10 years. These carry mark-up at a rate of 1.0% (2022: 3.00%) per annum.
- 18.9** These borrowings have been obtained from the SBP for improving access to finance for the women entrepreneurs, a refinance cum credit guarantee scheme is being launched for the women borrowers across the country. Under the scheme, refinancing will be provided by State Bank of Pakistan at 0% to participating financial institutions for onward lending to women entrepreneurs across the country at a mark-up rate of upto 5% per annum.
- 18.10** These borrowings have been obtained from the SBP with a view to provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19. The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial / federal agencies / commissions and engaged in controlling & eradication of COVID – 19. These borrowings are repayable for a maximum period of 5 years. These carry mark-up at rates at 0.00% (2022: 0.00%) per annum.
- 18.11** These borrowings have been obtained from the SBP for providing export bill discounting facilities to customers. These carry mark-up at rates ranging from 1.00% to 2.00% per annum (2022: 0.00% to 2.00% per annum) and are due to mature latest by May 7, 2024.
- 18.12** Mark-up / interest rates and other terms are as follows:
- Repurchase agreement borrowings carry mark-up ranging from 21.75% to 23% per annum (2022: 15.2% to 17% per annum) having maturity on January 2, 2024 to January 19, 2024.
 - Call borrowings carry interest ranging from 5.50% to 21.80% per annum (2022: 3% to 16.5% per annum).
- 18.13** Bai Muajjal borrowings carry mark-up rate of 0% per annum (2022: 16.42%).
- 18.14** Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.
- 18.15** Pakistan Investment Bonds and Market Treasury Bills having maturity of 2 - 10 Years and 3 - 12 Months respectively, are pledged as security under borrowing having carrying amount of Rs. 2,064,472 million (2022: Rs. 1,826,206 million).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

19. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Note	------(Rupees in '000)-----					
Customers						
Current deposits - remunerative	692,443,686	-	692,443,686	733,037,562	-	733,037,562
Current deposits - non-remunerative	656,289,463	161,079,615	817,369,078	408,169,670	159,575,493	567,745,163
Savings deposits	766,301,047	134,394,831	900,695,878	681,287,543	108,029,851	789,317,394
Term deposits	509,997,709	232,985,846	742,983,555	400,618,865	116,541,863	517,160,728
Others	13,082,003	7,182	13,089,185	9,563,715	7,855	9,571,570
	2,638,113,908	528,467,474	3,166,581,382	2,232,677,355	384,155,062	2,616,832,417
Financial Institutions						
Current deposits	458,765,517	1,400,531	460,166,048	5,795,356	3,492,893	9,288,249
Savings deposits	18,946,277	4,644,674	23,590,951	15,190,328	2,924,782	18,115,110
Term deposits	12,824,721	3,636,495	16,461,216	9,716,964	6,442,283	16,159,247
Others	6,310,317	-	6,310,317	4,878,234	-	4,878,234
	496,846,832	9,681,700	506,528,532	35,580,882	12,859,958	48,440,840
19.3	3,134,960,740	538,149,174	3,673,109,914	2,268,258,237	397,015,020	2,665,273,257

19.1 Composition of deposits

	2023	2022
Note	------(Rupees in '000)-----	
Individuals	1,220,898,183	990,051,893
Government (Federal and Provincial)	1,255,786,576	1,101,408,344
Public Sector Entities	385,531,338	244,103,310
Banking Companies	472,952,639	20,352,975
Non-Banking Financial Institutions	33,575,893	28,087,865
Private Sector	304,365,285	281,268,870
	3,673,109,914	2,665,273,257

19.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 99,316 million (2022: Rs. 75,917 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 1,013,777 million (2022: Rs. 870,538 million) including islamic branches.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2023			2022		
	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	92,543	28,302	64,241	55,683	10,935	44,748
Later than one year and upto five years	168,280	24,253	144,027	85,093	8,388	76,705
Over five years	-	-	-	-	-	-
	260,823	52,555	208,268	140,776	19,323	121,453

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 6M KIBOR + 1.5% per annum (2022: 6M KIBOR + 1.5% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

	2023	2022
Note	------(Rupees in '000)-----	
21. LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS		
Lease liabilities included in the statement of financial position As at December 31	8,682,732	8,761,015
Of which are:		
Current lease liability	1,830,701	1,734,848
Non-current lease liability	6,852,031	7,026,167
	8,682,732	8,761,015
Maturity analysis - contractual undiscounted cashflows		
Less than one year	2,649,801	2,557,743
One to five years	7,110,076	6,963,768
More than five years	3,124,101	7,969,041
Total undiscounted lease liabilities as at December 31,	12,883,978	17,490,552
22. OTHER LIABILITIES		
Mark-up / Return / Interest payable in local currency	194,680,604	126,228,969
Mark-up / Return / Interest payable in foreign currency	2,611,281	655,802
Unearned commission and income on bills discounted	124,131	271,126
Accrued expenses	13,907,160	13,955,633
Advance payments	387,084	372,406
Acceptances	8,100,364	20,644,122
Unclaimed dividends	174,709	181,851
Mark to market loss on forward foreign exchange contracts	6,676,880	125,371
Branch adjustment account	1,659,214	1,916,850
Payable to defined benefit plan:		
Pension fund	40.4 22,944,893	23,063,894
Post retirement medical benefits	40.4 34,833,112	29,176,898
Benevolent scheme	40.4 1,613,699	1,697,838
Gratuity scheme	40.4 4,975,497	4,100,617
Compensated absences	40.4 9,632,176	8,734,235
Provision against off-balance sheet obligations	627,494	627,494
Provision against contingencies	22.1 4,698,118	4,170,799
Staff welfare fund	371,257	371,257
Liabilities relating to barter trade agreements	4,321,484	3,629,389
Payable to brokers	735,663	350,446
Payable to customers	516,017	940,854
PIBs shortselling	10,241,337	11,043,029
Others	19,040,688	19,297,251
	342,872,862	271,556,131

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
Note	------(Rupees in '000)-----	
22.1 Provision against contingencies		
Opening balance	4,170,799	3,805,376
Charge during the year	384,838	165,423
Other movement	142,481	200,000
Closing balance	<u>4,698,118</u>	<u>4,170,799</u>

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

23. SHARE CAPITAL

23.1 Authorized Capital

2023	2022		2023	2022
----- (Number of shares) -----			------(Rupees in '000)-----	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

23.2 Issued, subscribed and paid up

2023	2022		2023	2022
----- (Number of shares) -----		Ordinary shares	------(Rupees in '000)-----	
140,388,000	140,388,000	Fully paid in cash	1,403,880	1,403,880
<u>1,987,125,026</u>	<u>1,987,125,026</u>	Issued as bonus shares	<u>19,871,251</u>	<u>19,871,251</u>
<u>2,127,513,026</u>	<u>2,127,513,026</u>		<u>21,275,131</u>	<u>21,275,131</u>

The Federal Government and Pakistan Sovereign Wealth Fund (PSWF) holds 75.60% (2022: Federal Government and SBP 75.60%) shares of the Bank.

23.3 The Pakistan Sovereign Wealth Fund Act, 2023 became effective during the current period. Under the said Act, the SBP's shareholding in the Bank stands transferred to the Pakistan Sovereign Wealth Fund (PSWF).

	2023	2022
23.3 Shares of the Bank held by subsidiary and associate	------(Number of shares)-----	

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

First Credit & Investment Bank Limited	<u>70,000</u>	70,000
	<u>70,000</u>	<u>70,000</u>

24. RESERVES

24.1 Exchange translation reserve

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

24.2 Statutory reserve

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

		2023	2022
	Note	------(Rupees in '000)-----	
25. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	10.1	33,119,281	(7,455,191)
- Fixed Assets	25.1	48,300,131	48,590,472
- Non-banking assets acquired in satisfaction of claims	25.2	2,803,228	2,520,000
- On securities of associates and joint venture		(337,236)	(1,507,560)
		83,885,404	42,147,721
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(16,223,312)	3,208,915
- Fixed Assets	25.1	(3,322,829)	(3,061,347)
- Non-banking assets acquired in satisfaction of claims	25.2	(106,848)	(21,752)
		(19,652,989)	125,816
		64,232,415	42,273,537
25.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		47,733,682	44,320,452
Recognised during the year		17,842	3,691,784
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax Adjustment		(181,545)	(197,684)
Related deferred tax liability on incremental depreciation charged during the year		(174,426)	(149,130)
Surplus on revaluation of fixed assets as at December 31		47,395,553	47,733,682
Less: related deferred tax liability on:			
- revaluation as at January 1		(3,061,347)	(2,537,701)
- revaluation recognised during the year		(8,743)	(412,499)
- rate adjustment		(427,165)	(260,277)
- incremental depreciation charged during the year		174,426	149,130
		(3,322,829)	(3,061,347)
Share of surplus on revaluation of fixed assets of associates and joint venture		904,578	856,790
		44,977,302	45,529,125

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

		2023	2022
	Note	------(Rupees in '000)-----	
25.2	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
	Surplus on revaluation as at January 1	2,520,000	2,863,886
	Surplus / (deficit) recognised during the year	283,228	(343,886)
	Surplus on revaluation as at December 31	2,803,228	2,520,000
	Less: related deferred tax liability on:		
	- revaluation as at January 1	(21,752)	(52,732)
	- revaluation recognised during the year	(82,060)	42,022
	- Rate adjustment	(3,036)	(11,042)
		(106,848)	(21,752)
		2,696,380	2,498,248
26.	CONTINGENCIES AND COMMITMENTS		
	Guarantees	26.1 346,487,980	377,561,372
	Commitments	26.2 2,362,684,359	2,373,285,184
	Other contingent liabilities	26.3 26,628,229	26,619,691
		2,735,800,568	2,777,466,247
26.1	Guarantees:		
	Financial guarantees	227,063,459	287,741,990
	Performance guarantees	119,424,521	89,819,382
		346,487,980	377,561,372
26.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- letters of credit	1,633,847,479	1,696,635,726
	Commitments in respect of:		
	- forward foreign exchange contracts	26.2.1 655,935,358	570,881,591
	- forward government securities transactions	26.2.2 27,318,929	54,568,834
	- forward lending	26.2.3 44,432,555	50,363,949
	Commitments for acquisition of:		
	- operating fixed assets	1,129,442	798,234
	Other commitments	26.2.4 20,596	36,850
		2,362,684,359	2,373,285,184
26.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	412,870,783	368,380,755
	Sale	243,064,575	202,500,836
		655,935,358	570,881,591

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023	2022
	------(Rupees in '000)-----	
26.2.2 Commitments in respect of forward government securities transactions		
Purchase	11,493,136	10,988,627
Sale	15,825,793	43,580,207
	<u>27,318,929</u>	<u>54,568,834</u>

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

	2023	2022
	------(Rupees in '000)-----	
26.2.3 Commitments in respect of forward lending		
Undrawn formal standby facilities, credit lines and other commitments to lend	<u>44,432,555</u>	<u>50,363,949</u>

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

	2023	2022
	------(Rupees in '000)-----	
26.2.4 Other commitments		
Professional services to be received	<u>20,596</u>	<u>36,850</u>
26.3 Other contingent liabilities		
26.3.1 Claim against the Bank not acknowledged as debt	<u>26,628,229</u>	<u>26,619,691</u>

26.3.2 Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2022: Rs. 1,597 million).

26.3.3 Taxation

- a) The return of income for tax year 2023 has been filed which is treated to be deemed assessment order.
- b) Taxation Officer, following the instructions / directions of the learned CIRA, has passed the appeal effect orders for tax years 2019, 2020 and 2022 wherein the tax liability / (refund) has been assessed at Rs. (1,852) million, Rs.1,997 million and Rs. (8,774) million.respectively
- c) Honourable ATIR has passed appellate orders for tax year 2006 and 2007 against monitoring orders and held that the proceedings are time barred. However, the orders of the DCIR remanded back to the assessing officer with the instruction to proceed further if any information is already available with the tax department.
- d) Honourable ATIR has passed appellate order for tax year 2016 against monitoring order and remanded back the issues to the assessing officer for reverification of the facts following the instructions of ATIR.
- e) The aggregate effect of contingencies as on December 31, 2023, including amount of Rs. 1,912 million (December 31, 2022: Rs. 1,912 million) in respect of indirect tax issues, amounts to Rs. 34,730 million (December 31, 2022: Rs. 27,159 million). No provision has been made against these contingencies, based on the opinion of tax consultant of the Bank, who expect favorable outcome upon decisions of pending appeals.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

26.3.4 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that except for Pensionary benefits note 26.3.4.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

26.3.4.1 Pensionary benefits to retired employees

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

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

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

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

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

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

The Bank as well as Federal Government filed review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which was reportedly accepted by the Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision. The Review Petition is ongoing and is expected to be listed for hearing soon.

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

In case the above matters are decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 98,700 million excluding any penal interest / profit payment (if any) due to delayed payment Pension expense for the current year and onward will also increase by Rs.13,500 million due to this decision. Based on the opinion of legal counsel, no provision has been made in these consolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

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

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

26.3.4.3 Litigation related to management trainee program

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

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

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

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

26.4 Foreign Exchange repatriation case

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

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

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

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

26.5.1 With close oversight from the Board of Directors and Head Office Senior Management, the New York Branch completed remedial actions pursuant to the public enforcement actions issued by the New York State Department of Financial Services and the Federal Reserve Bank. Head Office and the Board will continue to maintain close oversight of the Branch, which has made significant progress in enhancing its compliance program. The actions implemented by the Branch and their associated validation by Internal Audit continue to remain subject to review by its regulators.

2023	2022
------(Rupees in '000)-----	

27. MARK-UP / RETURN / INTEREST EARNED

On:

a) Loans and advances	221,750,632	141,345,000
b) Investments	774,057,450	348,343,571
c) Lendings to financial institutions	27,987,718	13,004,206
d) Balances with banks	1,338,862	883,138
	<u>1,025,134,662</u>	<u>503,575,915</u>

28. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	364,955,254	209,559,709
Borrowings	6,988,812	5,116,553
Cost of foreign currency swaps against foreign currency deposits / borrowings	14,293,880	10,026,057
Finance charge on lease liability against right of use assets	843,098	877,000
Securities sold under repurchase agreements	468,699,346	160,894,929
	<u>855,780,390</u>	<u>386,474,248</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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		2023	2022
29. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,836,285	1,644,009
Consumer finance related fees		537,528	525,249
Card related fees (debit cards)		3,018,522	2,372,961
Credit related fees		355,727	399,736
Investment banking fees		479,928	767,814
Commission on trade		2,431,771	2,120,399
Commission on guarantees		815,499	742,496
Commission on cash management		98,999	53,907
Commission on remittances including home remittances		1,851,419	1,648,416
Commission on bancassurance		227,995	308,736
Commission on government transactions		10,319,641	10,506,945
Management Fee & Sale Load		1,936,252	1,307,353
Brokerage Income		89,116	72,177
Others		137,614	87,202
		24,136,296	22,557,400
30. GAIN ON SECURITIES - NET			
Realised	30.1	4,447,398	1,746,693
Unrealised - held for trading	10.1	(28,025)	(1,065,797)
Unrealised - Shortselling		1,873	442,320
		4,421,246	1,123,216
30.1 Realised gain on:			
Federal Government Securities		1,289,150	121,098
Shares and mutual funds		3,201,890	1,625,517
Foreign Securities		(43,642)	78
		4,447,398	1,746,693
31. OTHER INCOME			
Rent on property		74,028	33,455
Gain on sale of fixed assets - net		224,324	17,005
Postal, SWIFT and other charges recovered / reversed		131,783	48,716
Compensation for delayed delivery of vehicles		1,009	-
Compensation for delayed tax refunds	31.1	1,320,345	1,588,150
Gain on derecognition on right of use assets		-	1,690
Tender money		2,307	576
Commission on IPS non-competative bids		-	5,599
Gain on closure of subsidiary and branch		-	67,007
Incentive on Home remittance		13,102	-
Deferred Income on Sale of Fixed Asset		9,851	-
Others		19,700	27,900
		1,796,449	1,790,098

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

32. OPERATING EXPENSES		2023	2022
	Note	------(Rupees in '000)-----	
Total compensation expenses	32.1	57,298,224	49,591,298
Property expense			
Rent and taxes		1,254,651	1,149,827
Insurance	32.2	62,440	66,842
Utilities cost		2,902,890	2,176,886
Security (including guards)		4,128,206	3,654,635
Repair and maintenance (including janitorial charges)		1,481,169	1,158,187
Depreciation		497,594	458,220
Depreciation on non banking assets		10,045	15,717
Depreciation on Ijarah assets		1,065	53,953
Depreciation on ROUA		2,165,226	2,306,599
		12,503,286	11,040,866
Information technology expenses			
Software maintenance		2,810,861	1,958,366
Hardware maintenance		138,307	121,317
Depreciation		611,348	393,592
Amortisation		324,753	365,818
Network charges		892,901	763,928
IT Manage Services		2,611,550	1,576,444
		7,389,720	5,179,465
Other operating expenses			
Directors' fees and allowances		88,232	25,772
Directors' fees and allowances - subsidiaries		25,870	13,265
Fees and allowances to Shariah Board		17,423	16,667
Legal and professional charges		2,185,861	1,215,057
Outsourced services costs	32.3	931,924	702,378
Travelling and conveyance		1,909,797	1,287,738
NIFT clearing charges		255,128	218,640
Depreciation		1,485,541	1,561,239
Training and development		112,140	55,923
Postage and courier charges		417,253	314,401
Communication		1,265,355	580,056
Stationery and printing		2,095,876	1,359,965
Marketing, advertisement and publicity		1,159,337	936,407
Donations	32.4	45,104	109,076
Auditors' remuneration	32.5	365,766	246,015
Fixed Assets / Non-banking asset deficit		-	141,403
Financial charges on leased assets		71,513	72,086
Entertainment		342,228	273,283
Clearing charges, verification and licence fee		574,953	532,198
Subscription		509	1,125
Brokerage		148,942	105,290
Insurance general		748,936	572,536
Vehicle expenses		257,265	278,756
Deposit premium expense		1,392,861	1,813,582
Repairs and maintenance general		1,388,748	945,805
Others		681,419	397,992
		17,967,981	13,776,655
Grand Total		95,159,211	79,588,284

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2023	2022
Note -----(Rupees in '000)-----	

32.1 Total compensation expense

	2023	2022
Managerial Remuneration	16,773,229	15,919,747
i) Fixed		
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	5,596,227	5,158,442
Charge for defined benefit plan	11,918,752	8,354,267
Charge for defined benefit plan - Subsidiaries	80,288	72,269
Rent & house maintenance	6,437,798	5,980,507
Utilities	2,694,045	2,139,441
Medical	4,618,445	3,885,392
Conveyance	4,256,728	3,749,778
Club Membership & Subscription	93,718	140,451
Education Allowance	1,818,799	1,443,112
Insurance	480,752	485,749
Honorarium to Staff and Staff Welfare	451,129	262,284
Overtime	45,892	45,255
Special Duty Allowance	3,621	2,408
Washing Allowance	14,208	15,044
Key Allowance	70,501	71,914
Unattractive Area Allowance	68,690	61,969
Leave Encashment	12,021	12,967
Teaching Allowance	10,864	10,590
Incentive on CASA deposits mobilization	35,378	23,739
Meal Allowance	246,262	249,065
Staff Incentive	8,421	-
Liveries	19	62
Inflationary Allowance	648,818	840,224
Saturday Allowances	162,405	149,162
Severe Winter Allowance	54,480	54,659
Hill Allowance	34,530	35,176
ATM Cash Replenish Allowance	20,593	14,977
PhD Allowance	10,098	10,441
Other retirement benefits for international branches	132,036	85,969
Reimbursement of visa fees etc	-	13,620
Recruiting expenses	-	7,732
Others	499,477	294,886
	57,298,224	49,591,298
	57,298,224	49,591,298

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

32.2 This includes Rs. 3.422 million (2022: Rs.3.422 million) insurance premium against directors' liability insurance.

32.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 931.9 million (2022: Rs. 702.4 million). Out of this cost, Rs. 919.4 million (2022: Rs. 693.2 million) pertains to the payment to companies incorporated in Pakistan and Rs. 12.5 million (2022: Rs. 9.1 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. Nil (2022: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

		2023	2022
		------(Rupees in '000)-----	
Name of Company	Nature of Services		
HTECH Solutions (Private) Limited	Call center management	122,541	81,962
		122,541	81,962

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

32.4 Donations include following amounts:

		2023	2022
		------(Rupees in '000)-----	
Description			
Prime Minister's Flood Relief Fund 2022		-	2,000
Family Educational Services Foundation (FESF)		-	17,000
Sanjan Nagar Public Education Trust (SNPET)		-	10,000
Layton Rahmatullah Benevolent Trust (LRBT)		-	5,000
Thardeep Microfinance Foundation (TMF)		-	6,000
Rural Community Development Programs (RCDP)		-	4,000
Prime Minister's Flood Relief Fund 2022		-	50,000
Namal Education Foundation (NEF)		-	5,197
Ghulam Ishaq Khan Institute of Engineering Sciences and Technology		26,549	9,879
The Citizen Foundation (TCF)		7,255	-
Network of Organizations Working for People with Disabilities Pakistan (NOWPDP)		5,000	-
Women Empowerment Group (WEG)		6,300	-
Total		45,104	109,076

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

A.F. Ferguson & Co.	BDO Ebrahim & Co.	Total 2023	Total 2022
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------(Rupees in '000)-----

32.5 Auditors' remuneration

Audit fee	9,152	7,471	16,623	14,942
Review of interim financial statements	3,202	2,614	5,816	5,228
Fee for audit of domestic branches	7,438	6,072	13,510	12,144
	19,792	16,157	35,949	32,314
Special certifications	1,391	1,136	2,527	2,272
	21,183	17,293	38,476	34,586
Other special certifications and sundry advisory services	77,209	4,662	81,871	20,739
Sales Tax	10,581	2,341	12,923	6,124
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	113,473	28,796	142,269	70,449
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	218,321	171,960
Fee for audit of subsidiaries including out-of-pocket expenses	-	-	5,176	3,606
	113,473	28,796	365,766	246,015

2023

2022

Note

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

33. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	270,073	72,347
Penalties imposed by other regulatory bodies (Central Bank of international branches)	15,867	279
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)	20	222
	285,960	72,848

34. PROVISIONS & WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	1,437,301	4,376,278
Provisions against loans and advances	11.4	13,320,955	8,011,799
Provision against other assets	16.5.1	239,045	562,955
Provision against contingencies	22.1	384,838	165,423
		15,382,139	13,116,455

35. TAXATION

Current			
For the year	35.1	53,879,315	31,946,150
Prior years		(6,322,999)	3,828,030
		47,556,316	35,774,180
Deferred			
For the year		(5,651,977)	(3,126,041)
Prior years		8,073,227	-
		2,421,250	(3,126,041)
		49,977,566	32,648,139

35.1 Current taxation includes Rs. Nil (2022: Rs. Nil) of overseas branches.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

35.2 Relationship between tax expense and accounting profit

	2023	2022
	------(Rupees in '000)-----	
Accounting profit before tax	103,298,963	63,597,150
Income tax at statutory rate @ 39% (2022: 39%)	40,053,643	24,802,889
Super tax at statutory rate @ 10% (2022: 10%)	10,125,309	6,273,716
Increase / (decrease) in taxes resulting from:		
Inadmissible items	140,757	35,587
Prior year taxation	1,750,228	3,828,030
Impact of change in tax rate	(1,716,671)	(2,075,075)
Reduced rate on SME / Housing	-	(87,432)
Others	(375,700)	(129,575)
Tax charge for current and prior years	49,977,566	32,648,139

35.3 During the year, in relation to Section 99D of the Income Tax Ordinance, 2001, FBR has issued SRO to impose an additional windfall tax @ 40% on foreign exchange income of the banks for the accounting years 2021 and 2022. The Bank along with other banks has challenged the law and filed a petition in Sindh High Court. Based on strong grounds, stay order has also been issued to banks. However, the Bank has, as an abundant caution, recorded a prior year charge of Rs. 1,750 million in these consolidated financial statements. Similar cases have also been filed by other banks in Islamabad & Lahore High Courts wherein stay orders have been granted. The FBR has challenged the stay orders granted by Sindh, Islamabad and Lahore High Courts in Supreme Court of Pakistan.

36. BASIC EARNINGS PER SHARE

Note

2023	2022
------(Rupees in '000)-----	

Profit for the year (Rupees in 000's)	53,101,601	30,834,587
Weighted average number of ordinary shares (Number in 000's)	2,127,513	2,127,513
Basic earnings per share (Rupees)	24.96	14.49

37. DILUTED EARNINGS PER SHARE

Profit for the year (Rupees in 000's)	53,101,601	30,834,587
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	2,127,513	2,127,513
Diluted earnings per share (Rupees)	24.96	14.49

38. CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	7	295,455,482	230,226,311
Balance with other banks	8	43,004,567	19,623,124
Call / clean money lendings	9	9,723	9,723
Call borrowings	18	(19,434,142)	(25,810,145)
Overdrawn nostro accounts	18	(19,330,975)	-
		299,704,655	224,049,013

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

38.1 Reconciliation of movements of liabilities to cash flow used in financing activities:

	2023	
	Lease Obligations	Unclaimed Dividend
	------(Rupees in '000)-----	
Balance as at January 1, 2023	8,882,468	181,851
Changes from financing cashflows		
Payment of lease obligation / dividend	(3,566,480)	(7,142)
Total charges from financing activities	(3,566,480)	(7,142)
Other charges		
Renewed lease during the year	2,350,439	-
Interest unwinding	831,981	-
Foreign exchange gain	392,592	-
Total other charges	3,575,012	-
Balance as at December 31, 2023	<u>8,891,000</u>	<u>174,709</u>

	2022	
	Lease Obligations	Unclaimed Dividend
	------(Rupees in '000)-----	
Balance as at January 1, 2022	8,494,353	181,997
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,680,093)	(146)
Total charges from financing activities	(2,680,093)	(146)
Other charges		
Renewed lease during the year	2,486,545	-
Increase in unclaimed dividend	872,775	-
Foreign exchange loss	(291,112)	-
Total other charges	3,068,208	-
Balance as at December 31, 2022	<u>8,882,468</u>	<u>181,851</u>

	2023	2022
	------(Numbers)-----	

39. STAFF STRENGTH

Permanent	10,020	10,580
On contract	5,673	5,380
Staff strength at the end of the year	<u>15,693</u>	<u>15,960</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

39.1 In addition to the above, 1,722 (2022: 1,218) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Out of these, 1,708 employees are working domestically (2022: 1,211) and 14 (2022: 7) abroad respectively.

40. DEFINED BENEFIT PLAN

40.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.15 to the consolidated financial statements.

40.2 Number of Employees under the scheme

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

	2023	2022
	------(Numbers)-----	
Pension fund	9,542	10,018
Post retirement medical scheme	9,542	10,018
Benevolent scheme	9,542	10,018
Gratuity scheme	5,185	4,855
Compensated absences	9,542	10,018

40.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2023 using the following significant assumptions:

	2023	2022
	------(Per annum)-----	
Discount rate	15.50%	14.50%
Expected rate of return on plan assets	15.50%	14.50%
Expected rate of salary increase	15.50%	14.50%
Expected rate of increase in pension	80% for next one year, 11% onwards	53% for next one year, 10% onwards
Expected rate of increase in medical benefit	15.50%	14.50%

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023					2022						
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total
	(Rupees in '000)											
40.4 Reconciliation of (receivable from) / payable to defined benefit plans												
Present value of obligations	103,591,193	34,833,112	1,613,699	4,575,660	9,632,176	154,245,840	89,128,297	29,176,898	1,697,838	3,767,858	8,734,235	132,505,126
Fair value of plan assets	(80,646,300)	-	-	-	-	(80,646,300)	(66,064,403)	-	-	-	-	(66,064,403)
Holding Company	22,944,893	34,833,112	1,613,699	4,575,660	9,632,176	73,599,540	23,063,894	29,176,898	1,697,838	3,767,858	8,734,235	66,440,723
Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Payable / (Receivable)	22,944,893	34,833,112	1,613,699	4,975,497	9,632,176	73,999,377	23,063,894	29,176,898	1,697,838	4,100,617	8,734,235	66,773,462
40.5 Movement in defined benefit obligations												
Obligations at the beginning of the year	89,128,297	29,176,898	1,697,838	3,767,858	8,734,235	132,505,126	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049
Current service cost	1,082,972	771,209	42,912	543,697	12,352	2,453,142	1,034,974	856,635	63,621	473,120	11,299	2,439,649
Past Service due to early retirement gratuity	28,590	14,663	503	136,889	613,761	794,406	1,119,100	441,385	-	-	-	1,560,485
Other payments	137,070	-	-	-	-	137,070	-	-	-	-	-	-
Adjustment against contingency reserve	156,428	34,152	332	-	19,326	212,238	240,914	52,731	328	-	31,837	325,810
Interest cost	12,665,122	4,137,561	232,065	536,448	1,247,384	18,818,580	9,162,030	2,808,493	196,854	364,696	1,149,972	13,682,045
Benefits paid by the Bank	(3,565,262)	(1,283,994)	(194,781)	(136,429)	(263,173)	(5,443,639)	(3,267,938)	(1,229,299)	(206,937)	(128,928)	(331,125)	(5,164,227)
Re-measurement loss / (gain) - Profit and Loss	-	-	-	-	(731,709)	(731,709)	-	-	-	-	(2,080,302)	(2,080,302)
Re-measurement loss / (gain) - OCI	3,955,976	1,982,623	(165,170)	(272,803)	-	5,500,626	1,230,522	1,730,236	(134,853)	(109,288)	-	2,716,617
Obligations at the end of the year	103,591,193	34,833,112	1,613,699	4,575,660	9,632,176	154,245,840	89,128,297	29,176,898	1,697,838	3,767,858	8,734,235	132,505,126
40.6 Movement in fair value of plan assets												
Fair value at the beginning of the year	66,064,403	-	-	-	-	66,064,403	61,773,750	-	-	-	-	61,773,750
Interest income on plan assets	9,552,737	-	-	-	-	9,552,737	7,247,610	-	-	-	-	7,247,610
Contribution by the Bank - net	1,403,168	-	-	-	-	1,403,168	1,345,187	-	-	-	-	1,345,187
Benefits paid	(3,565,262)	-	-	-	-	(3,565,262)	(3,267,938)	-	-	-	-	(3,267,938)
Benefits paid on behalf of fund	1,795,181	-	-	-	-	1,795,181	1,736,818	-	-	-	-	1,736,818
Actuarial gain / (loss) on assets	5,396,073	-	-	-	-	5,396,073	(2,773,024)	-	-	-	-	(2,773,024)
Fair value at the end of the year	80,646,300	-	-	-	-	80,646,300	66,064,403	-	-	-	-	66,064,403
Movement in (receivable) / payable under defined benefits scheme												
Opening balance	23,063,894	29,176,898	1,697,838	3,767,858	8,734,235	66,440,723	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299
Charge / (reversal) for the year	4,361,017	4,908,770	274,977	1,080,145	528,027	11,152,936	2,949,394	3,665,128	260,475	837,816	(919,031)	6,793,782
Past Service due to early retirement gratuity	-	-	-	-	-	-	1,119,100	441,385	-	-	-	1,560,485
Adjustment against contingency Reserve	156,428	34,152	332	-	19,326	212,238	240,914	52,731	328	-	31,837	325,810
Contribution by the bank - net	(1,403,168)	-	-	-	-	(1,403,168)	(1,345,187)	-	-	-	-	(1,345,187)
Re-measurement loss / (gain) recognized in OCI during the year	(1,795,181)	(1,283,994)	(194,781)	(136,429)	(263,173)	(3,673,558)	(1,736,818)	(1,229,299)	(206,937)	(128,928)	(331,125)	(5,489,641)
Benefits paid on behalf of fund	22,944,893	34,833,112	1,613,699	4,575,660	9,632,176	73,599,540	23,063,894	29,176,898	1,697,838	3,767,858	8,734,235	66,440,723
40.7 Charge for defined benefit plans												
40.7.1 Cost recognised in profit and loss												
Current service cost	1,082,972	771,209	42,912	543,697	12,352	2,453,142	1,034,974	856,635	63,621	473,120	11,299	2,439,649
Past Service due to early retirement gratuity	28,590	14,663	503	136,889	613,761	794,406	1,119,100	441,385	-	-	-	1,560,485
Other Payments	137,070	-	-	-	-	137,070	-	-	-	-	-	-
Actuarial loss / (gain) recognized - Profit and Loss	3,112,385	4,137,561	232,065	536,448	1,247,384	9,265,843	1,914,420	2,808,493	196,854	364,696	1,149,972	6,434,435
Net interest on defined benefit asset / liability	4,361,017	4,923,433	275,480	1,217,034	1,141,788	11,918,752	4,068,494	4,106,513	260,475	837,816	(919,031)	8,354,267
40.7.2 Re-measurements recognised in OCI during the year												
Loss / (gain) on obligation	6,789,410	1,411,977	(82,933)	(19,843)	-	8,098,611	4,049,273	1,259,537	(278,861)	45,522	-	5,075,471
- Financial assumptions	(2,833,434)	570,646	(82,237)	(252,960)	-	(2,597,985)	(2,818,751)	470,699	144,008	(154,810)	-	(2,358,854)
- Experience adjustment	(5,396,073)	-	-	-	-	(5,396,073)	2,773,024	-	-	-	-	2,773,024
Return on plan assets over interest income	(1,440,097)	1,982,623	(165,170)	(272,803)	-	104,553	4,003,546	1,730,236	(134,853)	(109,288)	(2,080,302)	6,434,435
Total re-measurements recognised in OCI	(1,440,097)	1,982,623	(165,170)	(272,803)	-	104,553	4,003,546	1,730,236	(134,853)	(109,288)	(2,080,302)	6,434,435

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2023	2022
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------(Rupees in '000)-----

40.8 Components of plan assets - Pension fund

Cash and cash equivalents - net	430,000	284,476
Government securities	63,789,305	53,824,866
Shares	7,509,967	5,565,760
Non-Government debt securities	100,000	100,000
Mutual funds	8,817,027	6,289,301
	80,646,299	66,064,403

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

40.9 Sensitivity analysis

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

	2023					
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity fund	Compensated absences	Total
	------(Rupees in '000)-----					
1% increase in discount rate	(9,103,581)	(3,717,246)	(77,359)	(467,512)	(618,856)	(13,984,554)
1% decrease in discount rate	10,830,235	4,539,943	85,479	542,519	699,037	16,697,213
1% increase in expected rate of salary increase	3,739,334	1,112,624	2,138	559,557	736,133	6,149,786
1% decrease in expected rate of salary increase	(3,400,875)	(1,008,614)	(2,385)	(489,081)	(661,895)	(5,562,849)
1% increase in expected rate of pension increase	7,240,026	1,558,832	-	-	-	8,798,858
1% decrease in expected rate of pension increase	(6,280,959)	(1,356,049)	-	-	-	(7,637,008)
1% increase in expected rate of medical benefit increase	-	1,648,940	-	-	-	1,648,940
1% decrease in expected rate of medical benefit increase	-	(1,401,261)	-	-	-	(1,401,261)

40.10 Expected contributions to be paid to the fund in the next financial year **1,682,347**

40.11 Expected charge for the next financial year **13,774,701**

40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	9.50
Post retirement medical scheme	11.85
Benevolent scheme	5.05
Gratuity scheme	11.04
Compensated absences	6.84

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

40.13 Funding Policy

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

Current Assets	Amount (Rupees in '000)	Percentage
Cash and cash equivalents - net	430,000	0.5%
Government Securities	63,789,305	79.1%
Shares	7,509,967	9.3%
Non-Government Debt Securities	100,000	0.1%
PLS - Term Deposit Receipts	-	0.0%
Mutual Funds	8,817,027	10.9%
	80,646,299	100.0%

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

40.14 The significant risks associated with the staff retirement benefit schemes are as follows:

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

41. DEFINED CONTRIBUTION PLAN

Provident Fund

The NBP employees Provident Fund was created under National Bank of Pakistan Employees Provident Fund Rules on April 01, 1950 under the Provident Fund Act, 1925. The Rules have been superseded by revised NBP Employees' Provident Fund Rules which came into force on January 01, 1958.

As per rules, the Officers, Executives and Clerical and Non Clerical staff in regular cadre make monthly contribution of 10% and 12.5% of their basic salary respectively towards the fund and the bank has to pay interest on balances of member's provident fund half yearly.

This scheme covers 9,313 employees (2022: 9,737 employees).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

Items	2023					
	Directors		Members Shariah Board	President / CEO (note 42.1.1)	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
------(Rupees in '000)-----						
Fees and Allowances etc.	11,786	76,446	11,370	-	-	-
Managerial Remuneration	-	-	-	-	-	-
i) Fixed	-	-	1,972	9,405	193,791	1,173,963
ii) Total Variable	-	-	-	-	-	-
of which	-	-	-	-	-	-
a) Cash Bonus / Awards	-	-	809	-	156,328	583,571
Charge for defined benefit plan	-	-	594	6,915	68,901	505,291
Rent & house maintenance	-	-	1,085	6,001	106,585	548,915
Utilities	-	-	394	2,182	38,697	192,204
Medical	-	-	325	1,800	32,471	212,105
Conveyance	-	-	444	1,501	37,840	284,696
Others *	-	-	130	35,136	14,090	223,445
Total	11,786	76,446	17,123	62,940	648,703	3,724,189
Number of Persons	1	**6	5	1	29	293

42.1.1 This represents amount of compensation paid to President in the capacity of Acting President uptill August 6, 2023 as per entitlement of SEVP / Group Chief and also included payment of Gratuity as end service benefit (Rs. 33.416 million included in Others). Upon receipt of Federal Government Notification # F.1 (9) BKG-III/2022-1119 dated August 7, 2023, of his appointment as President / CEO of the Bank, the payment of salary as per entitlement of SEVP / Group Chief was discontinued and Board of Directors in its 352nd meeting dated September 20, 2023, approved adjustable monthly advance equivalent to the salary and benefits of former President till approval of his compensation package from the shareholders and an amount of Rs. 22.963 million has been paid from August 07, 2023 till December 31, 2023 to the President which will be adjusted from his salary on approval.

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

** Mr. Asif Jooma retired on March 08, 2023.

42.1.2 The total amount of deferred bonus as at December 31, 2023 for the Key Management Personnel and other Material Risk Takers (MRT) / Material Risk Controllers (MRC) is Rs. 233.6 million (2022: Rs. 149.7 million). The deferred bonus is held in a trust fund.

Performance bonus is accounted for on payment basis

Items	2022					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
------(Rupees in '000)-----						
Fees and Allowances etc.	2,705	23,067	11,370	-	-	-
Managerial Remuneration	-	-	-	-	-	-
i) Fixed	-	-	1,793	28,756	231,791	744,615
ii) Total Variable	-	-	-	-	-	-
of which	-	-	-	-	-	-
a) Cash Bonus / Awards	-	-	727	-	156,019	388,106
Charge for defined benefit plan	-	-	450	6,945	40,039	224,986
Rent & house maintenance	-	-	986	5,038	106,721	367,150
Utilities	-	-	305	1,557	32,986	106,573
Medical	-	-	224	1,145	25,334	112,302
Conveyance	-	-	408	-	29,957	146,485
Others	-	-	105	31,151	16,351	141,917
Total	2,705	23,067	16,368	74,592	639,198	2,232,134
Number of Persons	1	6	5	2	23	185

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For the year ended December 31, 2023

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

		2023							
S.No.	Name of Director	Meeting Fees and Allowances Paid							Total Amount Paid
		For Board Meetings	For Board Committees					Allowances*	
			Board Audit Committee	Board Risk & Compliance Committee **	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee		
(Rupees in '000)									
1	Mr. Ashraf Mahmood Wathra	6,720	-	-	3,840	-	960	266	11,786
2	Mr. Farid Malik	3,950	2,950	150	3,000	1,350	-	2,171	13,571
3	Mr. Amjad Mahmood	4,750	3,900	7,000	300	-	-	579	16,529
4	Mr. Nasim Ahmad	4,200	3,750	1,200	-	1,750	550	105	11,555
5	Mr. Ali Syed	4,600	3,750	3,750	2,700	1,600	-	-	16,400
6	Mr. Asif Jooma ***	4,450	3,600	4,000	-	150	550	4,291	17,041
Total Amount Paid		29,270	18,250	16,250	10,140	4,850	2,060	7,412	88,232

* Allowances include accommodation and travel expenses.

** Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

*** Retired on March 08, 2023

		2022							
S.No.	Name of Director	Meeting Fees and Allowances Paid							Total Amount Paid
		For Board Meetings	For Board Committees					Allowances**	
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee		
(Rupees in '000)									
1	Mr. Zubyr Soomro *	900	-	-	150	-	300	1,355	2,705
2	Mr. Farid Malik	2,250	750	450	750	600	300	1,158	6,258
3	Mr. Tawfiq Asghar Hussain *	900	450	600	-	-	-	-	1,950
4	Mr. Imam Bukhsh Baloch *	900	450	450	-	-	-	47	1,847
5	Ms. Sadaf Abid *	900	-	-	-	150	450	292	1,792
6	Mr. Asif Jooma	2,250	1,200	450	750	-	600	-	5,250
7	Mr. Ahsan Ali Chughtai	2,250	750	900	600	450	450	570	5,970
Total Amount Paid		10,350	3,600	2,850	2,250	1,200	2,100	3,422	25,772

* Retired on April 16, 2022

** Allowances include accommodation and travel expenses.

*** Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

42.3 Remuneration paid to Shariah Board Members

Items	2023				2022			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
Retainer Fee & Fixed Remuneration	4,050	5,753	7,320	17,123	4,050	4,998	7,320	16,368
Total Amount Paid	4,050	5,753	7,320	17,123	4,050	4,998	7,320	16,368
Total Number of Persons	1	1	3	5	1	1	3	5

The above information does not include particulars of subsidiaries.

43. FAIR VALUE MEASUREMENTS

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

43.1 Fair value of financial assets

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

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

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

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

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

	2023				Total
	Carrying Value	Level 1	Level 2	Level 3	
On balance sheet financial instruments	------(Rupees in '000)-----				
Financial assets - measured at fair value					
Investments					
Federal Government Securities					
Market Treasury Bills	980,162,978	-	980,162,978	-	980,162,978
Pakistan Investment Bonds	2,915,714,573	-	2,915,714,573	-	2,915,714,573
Ijarah Sukuks	35,128,974	-	35,128,974	-	35,128,974
Foreign currency debt securities	30,733,308	-	30,733,308	-	30,733,308
Ordinary Shares					
Listed Companies	62,430,593	62,430,593	-	-	62,430,593
Preference Shares					
Listed	1,043,797	1,043,797	-	-	1,043,797
Non-Government Debt Securities					
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds	47,649,851	13,790,776	33,859,075	-	47,649,851
Investments in mutual funds	4,885,134	-	4,885,134	-	4,885,134
Foreign Securities					
Foreign Government debt securities	6,090,437	-	6,090,437	-	6,090,437
Equity securities - Listed	42,634,845	42,634,845	-	-	42,634,845
	4,126,474,490	119,900,011	4,006,574,479	-	4,126,474,490
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities					
Market Treasury Bills	161,108	-	161,108	-	161,108
Pakistan Investment Bonds	213,116,482	-	193,881,462	-	193,881,462
Ijarah Sukuks	14,087,500	-	12,419,631	-	12,419,631
Foreign currency debt securities	4,288,988	-	4,243,611	-	4,243,611
Foreign Securities					
Foreign Government debt securities	41,295,981	-	41,295,981	-	41,295,981
Non-Government Debt Securities	1,083	-	1,083	-	1,083
	272,951,142	-	252,002,875	-	252,002,875
	4,399,425,632	119,900,011	4,258,577,354	-	4,378,477,365
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	655,935,358	-	(6,676,880)	-	(6,676,880)
Forward government securities transactions	27,318,929	-	3,357	-	3,357

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	2022				Total
	Carrying Value	Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities					
Market Treasury Bills	848,869,986	-	848,869,986	-	848,869,986
Pakistan Investment Bonds	2,005,678,970	-	2,005,678,970	-	2,005,678,970
Ijarah Sukuks	20,178,649	-	20,178,649	-	20,178,649
Foreign currency debt securities	14,422,839	-	14,422,839	-	14,422,839
Ordinary Shares					
Listed Companies	36,671,325	36,671,325	-	-	36,671,325
Preference shares					
Listed	1,370,477	1,370,477	-	-	1,370,477
Non-Government Debt Securities					
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds	47,204,154	15,167,771	32,036,383	-	47,204,154
Investments in mutual funds	3,733,376	-	3,733,376	-	3,733,376
Foreign Securities					
Foreign Government Securities	3,655,766	-	3,655,766	-	3,655,766
Equity securities - Listed	34,844,245	34,844,245	-	-	34,844,245
	<u>3,016,629,787</u>	<u>88,053,818</u>	<u>2,928,575,969</u>	-	<u>3,016,629,787</u>
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities					
Market Treasury Bills	29,519,190	-	29,279,989	-	29,279,989
Pakistan Investment Bonds	375,285,244	-	355,279,617	-	355,279,617
Ijarah Sukuks	13,130,709	-	12,383,300	-	12,383,300
Foreign currency debt securities	2,992,408	-	1,665,559	-	1,665,559
Foreign Securities					
Foreign Government Securities	36,096,507	-	37,327,167	-	37,327,167
Non-Government Debt Securities	871	-	871	-	871
	<u>457,024,929</u>	-	<u>435,936,503</u>	-	<u>435,936,503</u>
	<u>3,473,654,716</u>	<u>88,053,818</u>	<u>3,364,512,472</u>	-	<u>3,452,566,290</u>
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	<u>570,881,591</u>	-	<u>(125,371)</u>	-	<u>(125,371)</u>
Forward government securities transactions	<u>54,568,834</u>	-	<u>(14,626)</u>	-	<u>(14,626)</u>

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

Item	Valuation approach and input used
Federal Government securities	The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuter page.
Non-Government debt securities	The fair value of non-government debt securities is determined using the prices / rates from MUFAP / Pakistan Stock Exchange.
Mutual Fund units	The fair values of investments in mutual fund units are determined based on their net asset values as published on MUFAP.
Ordinary Shares	The fair value of Ordinary shares is determined using the prices from Pakistan Stock Exchange.
Foreign Securities	The fair value of foreign securities is determined using the prices from Reuter page.
Forward foreign exchange contracts and Forward Government securities transactions	The fair values of forward foreign exchange contracts and forward Government securities transactions are determined using forward pricing calculations.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

43.2 Fair value of non-financial assets

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

	2023				Total
	Carrying Value	Level 1	Level 2	Level 3	
	------(Rupees in '000)-----				
Land & building (fixed assets)	51,992,069	-	-	51,992,069	51,992,069
Non-banking assets acquired in satisfaction of claims	3,973,126	-	-	3,973,126	3,973,126
	55,965,195	-	-	55,965,195	55,965,195

	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----				
Land & building (fixed assets)	52,425,375	-	-	52,425,375	52,425,375
Non-banking assets acquired in satisfaction of claims	3,699,943	-	-	3,699,943	3,699,943
	56,125,318	-	-	56,125,318	56,125,318

43.3 Certain categories of fixed assets (land and buildings) and non-banking assets acquired in satisfactions of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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44. SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

	2023									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Atlemaad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
Profit and loss account										
Net mark-up / return / profit	(288,653,905)	44,446,578	30,024,021	372,043,914	676,660	11,604,875	(787,871)	169,354,272	-	169,354,272
Inter segment revenue - net	426,952,717	(44,570,637)	(14,722,482)	(394,040,795)	-	(3,783,763)	30,164,980	-	-	-
Non mark-up / return / interest income	16,879,805	469,040	5,475,249	14,827,098	948,566	379,522	5,792,721	44,772,001	-	44,772,001
Total Income	155,178,617	344,981	20,776,788	(7,169,783)	1,625,226	8,200,614	35,169,830	214,126,273	-	214,126,273
Segment direct expenses	36,682,759	3,763,540	1,353,645	489,431	10,080,124	3,497,535	2,268,320	58,135,354	-	58,135,354
Inter segment expense allocation	-	-	-	-	-	-	37,309,817	37,309,817	-	37,309,817
Total expenses	36,682,759	3,763,540	1,353,645	489,431	10,080,124	3,497,535	39,578,137	95,445,171	-	95,445,171
Provisions charge / (reversal)	(392,545)	1,421,129	13,619,884	1,778,752	(682,121)	1,173,602	(1,536,532)	15,382,139	-	15,382,139
Profit / (loss) before tax	118,888,403	(4,839,688)	5,803,289	(9,437,966)	(7,772,777)	3,529,477	(2,871,775)	103,298,963	-	103,298,963
Statement of financial position										
Cash and bank balances	24,530,869	2,327,011	309,620	253,026,662	45,582,613	10,291,381	2,391,893	338,460,049	-	338,460,049
Investments	-	-	29,881,757	4,238,437,789	79,712,923	51,544,718	14,597,118	4,414,174,305	-	4,414,174,305
Net inter segment lending	2,848,709,058	-	-	-	-	-	305,771,087	3,154,480,145	(3,154,480,145)	-
Lendings to financial institutions	-	-	-	192,430,437	-	-	-	192,430,437	-	192,430,437
Advances - performing	236,148,640	263,088,116	719,624,952	-	69,139,462	73,125,444	49,658,269	1,410,784,883	-	1,410,784,883
Advances - non-performing	4,151,922	24,855,686	24,997,940	-	64,791,844	1,550,350	100,772,695	221,120,437	-	221,120,437
Provision against Advances	(8,543,697)	(21,077,228)	(34,670,159)	-	(62,606,767)	(1,550,875)	(105,383,925)	(233,832,651)	-	(233,832,651)
Advances - net	231,756,865	266,866,574	709,952,733	-	71,324,539	73,124,919	45,047,039	1,398,072,669	-	1,398,072,669
Others	45,196,987	4,100,249	37,794,142	117,135,121	8,304,683	5,155,676	108,049,708	325,736,565	-	325,736,565
Total Assets	3,150,193,779	273,293,834	777,938,252	4,801,030,009	204,924,758	140,116,694	475,856,845	9,823,354,170	(3,154,480,145)	6,668,874,025
Borrowings	-	5,171,334	69,017,574	2,085,073,081	18,164,142	-	317,063	2,177,743,194	-	2,177,743,194
Deposits & other accounts	2,948,491,330	-	510,139,226	-	99,315,779	113,801,806	1,361,773	3,673,109,914	-	3,673,109,914
Net inter segment borrowing	-	249,921,195	169,394,087	2,620,973,252	90,971,376	23,220,235	-	3,154,480,145	(3,154,480,145)	-
Others	207,702,449	18,201,305	29,358,656	51,337,805	6,639,026	3,494,872	109,872,765	420,606,878	-	420,606,878
Total liabilities	3,150,193,779	273,293,834	777,909,543	4,757,384,138	215,090,323	140,516,913	111,551,601	9,425,940,131	(3,154,480,145)	6,271,459,986
Equity	-	-	28,709	43,645,871	(10,165,565)	(400,219)	364,305,244	397,414,040	-	397,414,039
Total Equity & liabilities	3,150,193,779	273,293,834	777,938,252	4,801,030,009	204,924,758	140,116,694	475,856,845	9,823,354,171	(3,154,480,145)	6,668,874,025
Contingencies & Commitments	-	90,350,773	1,864,882,509	727,686,642	25,102,178	-	27,778,266	2,735,800,568	-	2,735,800,568

(Rupees in '000)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2022

	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Alteamaad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
Profit and loss account										
Net mark-up / return / profit	(162,183,572)	25,161,999	36,956,951	205,604,613	4,645,932	7,046,951	(131,207)	117,101,667	-	117,101,667
Inter segment revenue - net	242,679,059	(25,749,912)	(32,666,816)	(206,725,877)	-	(1,932,090)	24,395,636	-	-	-
Non mark-up / return / interest income	16,238,007	491,382	4,513,056	11,563,167	1,816,805	475,181	4,175,473	39,273,071	-	39,273,070
Total Income	96,733,494	(96,531)	8,803,191	10,441,903	6,462,737	5,590,042	28,439,902	156,374,738	-	156,374,737
Segment direct expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	1,895,026	52,622,558	-	52,622,558
Inter segment expense allocation	-	-	-	-	-	-	27,038,574	27,038,574	-	27,038,574
Total expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	28,933,600	79,661,132	-	79,661,132
Provisions charge / (reversal)	39,252	1,823,824	5,642,750	4,066,055	153,204	187,806	1,203,566	13,116,457	-	13,116,455
Profit / (loss) before tax	61,748,837	(5,331,330)	1,926,197	6,020,189	(1,366,464)	2,296,984	(1,697,264)	63,597,149	-	63,597,150
Statement of financial position										
Cash and bank balances	75,111,055	8,471,928	272,335	116,207,653	41,420,355	6,110,320	2,255,789	249,849,435	-	249,849,435
Investments	-	-	26,566,790	3,338,860,011	55,396,579	53,920,119	8,192,348	3,482,935,847	-	3,482,935,847
Net inter segment lending	1,913,764,601	-	-	-	-	-	161,978,230	2,075,742,831	(2,075,742,831)	-
Lendings to financial institutions	-	-	-	31,272,467	-	-	-	31,272,467	-	31,272,467
Advances - performing	221,901,091	236,174,990	608,412,187	-	68,916,285	46,381,315	51,521,899	1,233,307,767	-	1,233,307,767
Advances - non-performing	4,107,960	21,853,219	23,902,314	-	53,726,670	654,979	101,479,495	205,724,637	-	205,724,637
Provision against advances	(8,972,018)	(19,791,641)	(23,100,384)	-	(52,356,953)	(655,299)	(103,486,991)	(208,363,286)	-	(208,363,286)
Advances - net	217,037,033	238,236,568	609,214,117	-	70,286,002	46,380,995	49,514,403	1,230,669,118	-	1,230,669,118
Others	31,988,215	3,619,414	41,795,925	381,562	6,402,399	2,842,469	170,009,042	257,039,026	-	257,039,027
Total Assets	2,237,900,904	250,327,910	677,849,167	3,486,721,693	173,505,335	109,253,903	391,949,812	7,327,508,724	(2,075,742,831)	5,251,765,894
Borrowings	-	6,032,537	78,172,283	1,839,417,048	16,636,856	-	227,063	1,940,485,787	-	1,940,485,787
Deposits & other accounts	2,088,472,344	-	406,454,898	-	75,916,594	93,591,714	837,707	2,665,273,257	-	2,665,273,257
Net inter segment borrowing	-	227,691,242	157,789,526	1,581,730,692	96,687,516	11,863,855	-	2,075,742,831	(2,075,742,831)	-
Others	149,428,560	16,604,131	35,169,167	44,395,276	2,896,990	3,373,893	83,838,601	335,706,618	-	335,706,618
Total liabilities	2,237,900,904	250,327,910	677,565,874	3,465,543,016	192,137,956	108,829,462	84,903,371	7,017,208,493	(2,075,742,831)	4,941,465,662
Equity	-	-	283,293	21,178,677	(18,632,621)	424,441	307,046,441	310,300,231	-	310,300,232
Total Equity & liabilities	2,237,900,904	250,327,910	677,849,167	3,486,721,693	173,505,335	109,253,903	391,949,812	7,327,508,724	(2,075,742,831)	5,251,765,894
Contingencies & Commitments	-	183,082,396	1,907,266,393	625,450,425	28,425,093	-	33,241,950	2,777,466,247	-	2,777,466,247

(Rupees in '000)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

44.2 Segment details with respect to geographical locations

2023

	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
(Rupees in '000)						
Profit and loss account						
Net mark-up / return/profit	168,309,375	(1,990,221)	130,022	1,066,688	1,849,409	169,354,272
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	43,797,918	256,393	353,114	200,284	164,291	44,772,001
Total Income	212,107,293	(1,733,828)	483,136	1,266,972	2,013,701	214,126,273
Segment direct expenses	47,926,841	2,655,212	1,409,334	4,394,781	1,749,187	58,135,354
Inter segment expense allocation	37,309,817	-	-	-	-	37,309,817
Total expenses	85,236,658	2,655,212	1,409,334	4,394,781	1,749,187	95,445,171
Provisions	16,041,077	(155,051)	539	-	(534,210)	15,382,139
Profit / (loss) before tax	110,829,558	(4,233,988)	(926,737)	(3,127,809)	798,724	103,298,963
Statement of financial position						
Cash and bank balances	292,868,965	24,745,433	10,517,717	8,252,155	2,075,780	338,460,049
Investments	4,331,764,495	46,695,908	-	5,301,910	30,411,991	4,414,174,305
Net inter segment lendings	90,971,180	-	-	-	-	90,971,180
Lendings to financial institutions	192,430,437	-	-	-	-	192,430,437
Advances - performing	1,341,645,420	43,244,999	3	32	25,894,427	1,410,784,883
Advances - non-performing	156,074,810	53,255,763	2,045,768	-	9,744,095	221,120,437
Provision against advances	(171,187,530)	(52,900,243)	(2,045,768)	(15,437)	(7,683,673)	(233,832,651)
Advances - net	1,326,532,700	43,600,519	3	(15,405)	27,954,849	1,398,072,669
Others	317,387,873	4,758,849	130,708	1,726,463	1,732,671	325,736,565
Total Assets	6,551,955,650	119,800,709	10,648,428	15,265,123	62,175,291	6,759,845,205
Borrowings	2,159,579,052	8,299,024	-	-	9,865,119	2,177,743,194
Deposits & other accounts	3,573,794,135	46,442,386	4,705,117	7,801,287	40,366,989	3,673,109,914
Net inter segment borrowing	-	64,906,375	5,733,904	6,298,941	14,031,960	90,971,180
Others	413,887,822	1,445,240	209,408	1,821,640	3,120,382	419,764,310
Total liabilities	6,147,261,010	121,093,026	10,648,429	15,921,868	67,384,450	6,361,588,598
Equity	404,572,255	(1,292,319)	-	(656,741)	(5,209,158)	397,414,039
Total Equity & liabilities	6,551,955,650	119,800,709	10,648,428	15,265,123	62,175,291	6,759,845,205
Contingencies & Commitments	2,710,698,390	12,116,117	808,936	430,155	11,746,970	2,735,800,568

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2022

	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
Profit and loss account						
Net mark-up/return/profit	112,263,338	1,866,603	44,424	508,358	2,418,944	117,101,667
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	37,455,935	763,885	281,607	322,301	449,343	39,273,070
Total Income	149,719,273	2,630,488	326,031	830,659	2,868,287	156,374,737
Segment direct expenses	44,828,438	2,038,821	1,083,965	3,420,453	1,250,882	52,622,559
Inter segment expense allocation	27,038,573	-	-	-	-	27,038,573
Total expenses	71,867,011	2,038,821	1,083,965	3,420,453	1,250,882	79,661,132
Provisions	12,977,499	(143,602)	(306)	2,564	280,300	13,116,455
Profit / (loss) before tax	64,874,763	735,269	(757,628)	(2,592,358)	1,337,105	63,597,150

(Rupees in '000)

Statement of financial position

Cash and bank balances	208,424,475	16,781,559	12,524,181	9,444,994	2,674,226	249,849,435
Investments	3,425,767,455	37,691,741	-	2,759,589	16,717,062	3,482,935,847
Net inter segment lendings	96,707,768	-	-	-	-	96,707,768
Lendings to financial institutions	31,272,467	-	-	-	-	31,272,467
Advances - performing	1,194,733,223	5,207,650	420	561,473	32,805,001	1,233,307,767
Advances - non-performing	121,333,135	74,961,917	1,584,372	-	7,845,213	205,724,637
Provision against advances	(155,930,253)	(44,257,482)	(1,584,372)	(12,401)	(6,578,778)	(208,363,286)
Advances - net	1,160,136,105	35,912,085	420	549,072	34,071,436	1,230,669,118
Others	250,490,178	3,964,364	178,130	251,226	2,155,129	257,039,027
Total Assets	5,172,798,448	94,349,749	12,702,731	13,004,881	55,617,853	5,348,473,662
Borrowings	1,923,848,931	1,928,779	-	-	14,708,077	1,940,485,787
Deposits & other accounts	2,589,356,663	35,927,275	7,941,305	5,574,521	26,473,493	2,665,273,257
Net inter segment borrowing	-	59,264,940	4,503,017	8,442,184	24,497,627	96,707,768
Others	332,799,850	974,569	258,409	667,328	1,006,462	335,706,618
Total liabilities	4,846,005,444	98,095,563	12,702,731	14,684,033	66,685,659	5,038,173,430
Equity	326,793,004	(3,745,815)	-	(1,679,152)	(11,067,804)	310,300,232
Total Equity & liabilities	5,172,798,448	94,349,749	12,702,731	13,004,881	55,617,853	5,348,473,662
Contingencies & Commitments	2,749,041,154	9,797,537	1,803,538	6,737,008	10,087,010	2,777,466,247

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

45. TRUST ACTIVITIES

45.1 Endowment Fund

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

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

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

The amount of the Endowment Funds in investments stands at Rs. 936.8 million as at December 31, 2023 (2022: Rs. 875.2 million).

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

As at December 31, 2023					
Category	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	
(Rupees in '000)					
Assets Management companies	48	-	-	-	-
Charitable institutions	6	-	-	-	-
Companies	42	203,783,170	59,782,300	24,417,400	287,982,870
Employee Funds	47	55,528,855	429,482,600	-	485,011,455
Individuals	2,317	3,008,590	63,200	-	3,071,790
Insurance Companies	8	49,300,000	172,939,300	-	222,239,300
Others	97	164,055,135	544,853,930	-	708,909,065
Total	2,565	475,675,750	1,207,121,330	24,417,400	1,707,214,480

As at December 31, 2022					
Category	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	
(Rupees in '000)					
Assets Management companies	48	-	-	-	-
Charitable institutions	6	-	-	-	-
Companies	33	111,150,080	53,771,500	27,417,400	192,338,980
Employee Funds	42	76,006,000	67,408,800	-	143,414,800
Individuals	1,680	723,040	63,000	-	786,040
Insurance Companies	8	28,850,000	160,826,800	-	189,676,800
Others	79	198,320,900	672,294,130	-	870,615,030
Total	1,896	415,050,020	954,364,230	27,417,400	1,396,831,650

46. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investments in joint venture and associated undertakings and their provisions are stated in note 10 of the financial statements 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 the related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023							2022											
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	
Balances with other banks																			
In current accounts	-	-	425,938	-	-	-	-	-	-	-	-	-	395,137	-	-	-	-	-	-
	-	-	425,938	-	-	-	-	-	-	-	-	-	395,137	-	-	-	-	-	-
Investments																			
Opening balance	-	-	-	-	-	-	-	6,512,634	-	-	-	-	-	-	-	-	-	4,465,809	-
Investment made during the year	-	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	2,046,825	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	(441,021)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	(1,150,536)	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	4,921,177	-	-	-	-	-	-	-	-	-	-	6,512,634	-
Provision for diminution in value of investments	-	-	-	-	-	-	164,975	-	-	-	-	-	-	-	-	-	-	461,354	-
Advances																			
Opening balance	-	339,734	2,665,220	-	-	-	-	-	2,085,795	-	-	-	-	-	-	-	-	-	641,482
Addition during the year	-	24,777	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,229,175
Repaid during the year	-	(58,217)	(124,767)	-	-	-	-	-	(520,649)	-	-	-	-	-	-	-	-	-	(1,435,378)
*Transfer in / (out) - net	-	(40,506)	-	-	-	-	-	-	(1,565,146)	-	-	-	-	-	-	-	-	-	650,516
Closing balance	-	265,788	2,540,453	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,085,795
Provision held against advances	-	-	2,540,453	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets																			
Interest / mark-up accrued	-	-	1,313,344	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commission paid in advance	-	-	35,846	-	-	-	-	-	-	-	-	1,717,167	-	-	-	-	-	-	-
	-	-	1,313,344	35,846	-	-	-	-	-	-	-	1,717,167	-	-	-	-	-	-	-
Borrowings																			
Opening balance	-	-	-	52,245	-	-	-	-	-	-	-	-	35,741	-	-	-	-	-	-
Borrowings during the year	-	-	-	493,964	-	-	-	-	-	-	-	-	16,504	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	546,209	-	-	-	-	-	-	-	-	52,245	-	-	-	-	-	-
Deposits and other accounts																			
Opening balance	-	98,488	3,000	-	27,222	-	257,252	13,263,170	515,559	1,760	131,454	-	-	86,264	10,100,000	46,769	12,854,755	43,336,142	
Received during the year	11,733	991,165	145,790	-	62,751,350	-	3,883,069	5,365,545	123,529,442	-	865,638	3,000	-	41,951,279	-	8,370,003	5,025,151	5,647,309	
Withdrawn during the year	(8,103)	(996,174)	(3,000)	(1,450)	(62,778,472)	-	(3,761,343)	(5,065,628)	(118,318,327)	(14)	(894,921)	-	-	(42,010,321)	(10,100,000)	(8,159,520)	(4,616,736)	(5,669,604)	
* Transfer in (out) - net	-	(20,678)	-	1,821	-	-	-	-	3,516,458	(1,746)	(23,803)	-	-	-	-	-	-	(42,798,288)	-
Closing balance	3,630	72,801	145,790	371	100	-	378,978	13,563,087	9,245,132	-	98,168	3,000	-	27,222	-	257,252	13,263,170	515,559	
Other Liabilities																			
Interest / mark-up payable	-	-	5,892	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	5,892	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies & Commitments																			

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

	2023						2022							
	Directors	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Directors	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
Income														
Mark-up / return / interest earned	-	-	-	-	-	-	422,679	-	-	3,384	1	-	-	457,362
Dividend income	-	-	-	-	-	-	144,720	-	-	-	114,405	-	-	86,114
Rent income / Lighting & Power and Bank charges	-	-	6,077	-	-	-	21,027	-	-	5,533	-	-	-	-
Expense														
Mark-up / return / interest paid	292	7,496	108,007	31,505	150,743	1,844,455	297,705	-	4,846	-	20,556	477,113	1,787,633	1,683,174
Expenses paid to company in which Director of the bank is interested as CEO	-	-	-	-	-	-	598,462	-	-	-	-	-	-	79,487
Remuneration to key management executives including charge for defined benefit plan	-	711,643	-	-	-	-	-	-	713,790	-	-	-	-	-
Contribution for other corporate & social responsibility paid to company in which Directors of the bank is interested as director	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000
Directors fee & other allowances	88,232	-	-	-	-	-	-	25,772	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	-	-	-	-	-	-	-	522

(Rupees in '000)

46.1

Transactions with Government-related entities

The Federal Government and Pakistan Sovereign Wealth Fund (PSWF) holds 75.60% (2022: Federal Government and SBP 75.60%) shares of the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Group.

The 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. 10,320 million (2022: 10,507 million) for the year ended December 31, 2023. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 602,707 million (2022: 593,486 million), Rs. 1,622,331 million (2022: 1,403,331 million) and Rs.1,780,517 million (2022: 1,714,807 million) , respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 77,719 million (2022: 40,225 million) and Rs. 184,042 million (2022: 199,052 million) respectively.

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47. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

- to comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprise the following three capital standards:

i. Minimum Capital Requirement (MCR):

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

ii. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 11.50% (plus 2.50% for NBP as D-SIB requirement).

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. However, SBP vide its letter No. BPRD/BA&CPD/638/436708/2023 dated March 7, 2023 has reduced the minimum requirement to 2.5% up till March 2024 which was 3% as per BPRD circular No.6 dated August 15, 2013. The bank has a leverage ratio of 3.23% in the year ended December 31, 2023, (2022: 3.15%) and Tier-1 capital of Rs.290,194 Millions (2022: 236,742 million)."

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

1. Tier 1 Capital (going-concern capital)

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

2. Tier 2 Capital (gone-concern capital)

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

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

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

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

The paid-up capital of the Bank for the year ended December 31, 2023 stood at Rs. 21,275 billion (2022 : Rs. 21,275 billion) and is in compliance with the SBP requirement for the said period. In addition the Group has maintained minimum Capital Adequacy Ratio (CAR) of 25.80% (2022: 22.02%)

There have been no material changes in the Group management of capital during the year.

	2023	2022
	------(Rupees in '000)-----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	21,275,131	21,275,131
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	290,194,013	236,742,118
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	290,194,013	236,742,118
Eligible Tier 2 Capital	95,972,355	78,089,129
Total Eligible Capital (Tier 1 + Tier 2)	386,166,368	314,831,247
Risk Weighted Assets (RWAs):		
Credit Risk	1,064,724,576	1,073,032,570
Market Risk	121,288,938	94,062,413
Operational Risk	310,495,520	262,697,854
Total	1,496,509,034	1,429,792,837
Common Equity Tier 1 Capital Adequacy ratio	19.39%	16.56%
Tier 1 Capital Adequacy Ratio	19.39%	16.56%
Total Capital Adequacy Ratio	25.80%	22.02%
Leverage Ratio (LR):		
Tier-1 Capital	290,194,013	236,742,118
Total Exposures	8,988,394,792	7,511,889,497
Leverage Ratio	3.23%	3.15%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	1,618,093,446	1,418,328,644
Total Net Cash Outflow	918,191,522	963,197,902
Liquidity Coverage Ratio	176%	147%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	3,357,537,770	2,684,457,394
Total Required Stable Funding	1,298,306,326	1,069,401,835
Net Stable Funding Ratio	259%	251%

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

48. RISK MANAGEMENT

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

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

- Identification and assessment of significant material risks;
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite;
- Optimize risk/ return decisions by aligning them to business objective of achieving sustainable optimum growth.

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

Group is cognizant of importance of Environmental & Social Risk Management (E&SRM). During the period under review the Bank established a specialised ESG Function placed within the Enterprise Risk Management Group (ERMG) to oversee Environment & Social Risks (E&S). Going forward, the E&S Wing manage bank's E&S risk in accordance with the regulatory requirements.

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

48.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group, i.e. separate from approvals and direct involvement in day-to-day activities. RMG reports directly to the President with a dotted line reporting to the Board Risk Committee (BRC). The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodologies and other functions assigned from time to time in line with local/ international best practices and under the supervision of SBP's regulations/ guidelines.

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

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48.2 Risk Management Framework

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

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

48.2.1 Credit Risk

Credit risk is a significant concern for banks due to the inherent nature of their core operations. With the continuous global economic crises, ongoing digitalization, and recent technological advancements, credit risk management has gained increased attention. By adopting a proactive approach and effectively managing their exposure to credit risk, banks not only ensure the sustainability and profitability of their own operations but also contribute to the stability of the overall financial system and efficient allocation of capital. Credit risk refers to the likelihood of incurring financial losses when a borrower fails to repay a loan, leading to disruptions in cash flow and higher costs for debt collection. NBP's lending activities constitute a major source of credit risk for the Bank, as it engages in various financial activities such as providing loans and advances, committing to lend, assuming contingent liabilities such as letter of credit and guarantees, and engaging in other on and off-balance sheet transactions. Under the supervision of the Board and the President, the Bank has a dedicated setup headed by the Chief Risk Officer, who ensures the efficiency of credit risk assessment, measurement, review, and reporting frameworks.

Smart lending decisions can empower people and businesses to boost the bank's profitability and strategically guarding against the risks of extending credit. The effective implementation of structured assessment models, comprehensive pre-disbursement evaluation tools, and post-disbursement review systems has allowed NBP to successfully manage credit risk and mitigate losses within acceptable tolerance levels. Our risk management approach is rooted in a strategic goal to maintain a robust framework, proactively identify and address risks, and facilitate sustainable business growth. The bank has in place a Risk Appetite Framework and a Credit Risk Concentration Management Framework to set limits on credit risk exposure in relation to obligors, economic groups, and industry segments.

Risk Management function consistently conducts ongoing assessments of the credit portfolio. This involves utilizing portfolio reports and dashboards to discern borrowers and sectors that may be susceptible to the impact of changes in the local and global business and economic environment. The bank is actively monitoring delinquency in accounts, financial position of counterparties, prevailing economic situation and other pertinent information. The bank's credit review mechanism and approval process are meticulously defined and overseen by senior management. Analyzing counterparties across diverse asset classes, constitutions, and economic groups involves employing well-established rating models and scorecards, thereby enhancing decision-making processes.

The bank has actively undertaken the implementation of the IFRS 9 standard, presently in the parallel-run phase. This standard introduces a novel model for financial assets, mandating the recognition of impairment charges through the 'Expected Credit Loss' approach, departing from the existing 'Incurred Credit Loss' approach.

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Retail & Program Lending Group, manages the risk side of products governed on a program basis. It caters to products covered under RBG, IDG and AIBG businesses. Group has been organized on a Credit Cycle approach that adapts an end to end credit view. It is engaged in areas of Policy & Portfolio Management, MIS & Analytics, Credit Approvals, Collection & Recovery, Quality Assurance, etc. In addition, it works closely with other areas including Operational Risk, IT, Finance, HR, etc. Head of Group reports to CRO of the bank and is a voting member of Management Credit Committee & Enterprise Risk Committee

Credit Administration (CAD) is pivotal in overseeing the post-approval credit procedures, besides encompasses the establishment of fitting loan terms in accordance with sanctions and adherence to regulatory standards. CAD assumes a crucial role in post-approval credit management, actively contributing to portfolio expansion and granting individuals and businesses access to essential funds. Recent heightened managerial focus has further refined the efficiency of credit administration functions, emphasizing diligent monitoring and risk mitigation to sustain a robust and healthy portfolio.

Moreover, CAD is actively working to establish an improved mechanism encompassing advanced collateral management functions, control over limit functions, and effective vendor management. This initiative aims to address business requirements with a concentrated focus on CAD functions. Once the system is implemented, it is anticipated to significantly bolster the Bank's position within its peer group, reinforcing its overall strength.

Presently, the Basel Standardized Approach is employed within the Basel Framework to compute the capital charge for credit risk-weighted assets, utilizing a straightforward method for credit risk mitigation. Furthermore, stress testing for credit risk is also conducted to assess the potential impacts of scenarios outlined by the regulator.

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

48.2.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2023	2022	2023	2022	2023	2022
	------(Rupees in '000)-----					
Public/ Government	85,000,000	-	-	-	-	-
Private	107,604,587	31,446,617	174,150	174,150	174,150	174,150
	192,604,587	31,446,617	174,150	174,150	174,150	174,150

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48.2.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
	------(Rupees in '000)-----					
Agriculture, Forestry, Hunting & Fishing	98,624,179	80,495,011	7,981,816	7,362,301	5,858,554	5,713,024
Mining & Quarrying	4,953,424	3,164,044	205,554	184,765	205,554	184,765
Textile	172,963,205	165,340,123	38,936,407	38,063,274	38,798,431	36,586,116
Chemical & Pharmaceuticals	8,726,797	7,461,927	5,693,439	4,439,102	5,057,930	4,394,734
Cement	29,429,909	35,175,010	6,286,205	5,768,647	4,306,468	3,786,389
Sugar	35,757,518	39,138,958	15,271,238	15,337,931	15,248,595	15,331,156
Footwear and Leather garments	2,548,291	2,534,796	1,305,280	1,168,627	1,271,149	1,079,224
Automobile & Transportation Equipment	8,926,304	10,875,288	962,288	921,095	954,395	905,813
Electronics & Electrical Appliances	10,503,866	10,782,697	4,778,714	2,379,854	3,688,323	2,377,270
Construction	23,638,052	24,955,900	10,057,457	9,447,671	9,936,191	9,441,049
Oil & Gas	311,928,714	178,706,498	19,934,588	19,619,278	19,481,124	19,339,190
Power (electricity), Gas, Water & Sanitary	191,933,546	194,522,795	14,882,572	15,156,096	12,709,678	12,981,169
Wholesale and Retail Trade	53,130,430	53,375,862	11,827,052	10,720,360	11,666,288	10,682,265
Transport, Storage and Communication	73,254,000	57,689,946	17,158,081	14,851,559	15,100,201	12,575,382
Financial	2,557,744	14,687,975	123,035	104,380	107,083	96,280
Services	48,600,716	42,121,726	2,406,149	3,219,193	1,584,931	1,826,174
Individuals	210,444,440	203,306,181	6,939,024	6,496,272	4,357,928	4,381,003
Flour Mills	4,463,504	2,552,518	609,624	725,603	609,461	676,963
Rice Trading & Processing	44,913,336	35,552,848	4,541,062	4,546,743	4,361,754	4,432,434
Food and Tobacco	22,581,792	20,562,295	9,386,521	7,134,439	7,973,281	6,767,830
Fertilizer	5,496,940	9,096,871	2,730,894	2,861,321	2,690,260	2,822,795
Metal Products	75,901,770	70,882,534	30,959,009	26,476,676	30,871,562	26,473,372
Telecommunication	32,954,455	30,839,889	1,312,494	1,180,028	1,104,242	1,180,028
Public Sector Commodity Operations	127,236,872	96,305,380	718,876	74,198	235,368	74,198
Engineering	8,845,740	29,549,358	1,508,928	1,637,447	1,370,855	1,482,884
Glass and Ceramics	7,089,518	6,626,264	271,493	274,739	271,493	274,739
Media	664,016	916,067	151,334	151,334	151,334	151,334
Paper & Board	3,954,072	3,063,869	590,686	1,177,882	570,300	1,168,683
Plastic products	3,865,916	3,305,648	1,735,045	1,507,205	1,396,225	1,157,387
Sports goods	1,457,410	140,062	34,794	14,688	34,794	14,688
Surgical equipments	981,604	790,887	13,159	13,200	13,159	9,430
Others	3,577,240	4,513,177	1,807,619	2,708,729	1,807,619	2,646,979
	1,631,905,320	1,439,032,404	221,120,437	205,724,637	203,794,530	191,014,747

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
	------(Rupees in '000)-----					
Public / Government	644,878,073	498,932,567	982,500	99,887	498,992	99,887
Private	987,027,247	940,099,837	220,137,937	205,624,750	203,295,538	191,914,860
	1,631,905,320	1,439,032,404	221,120,437	205,724,637	203,794,530	192,014,747

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	2023	2022
	------(Rupees in '000)-----	
48.2.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	218,136	504,418
Mining and Quarrying	73,466	426,948
Textile	15,709,777	15,852,803
Chemical and Pharmaceuticals	8,405,999	3,774,815
Cement	5,949,829	3,402,417
Sugar	5,303	93,200
Footwear and Leather garments	51,827	6,262
Automobile and Transportation Equipment	2,423,164	2,712,927
Electronics and Electrical Appliances	3,509,467	2,433,354
Construction	10,408,498	9,005,223
Oil & Gas	59,322,425	67,938,534
Power (electricity), Water & Sanitary	50,934,421	59,726,777
Wholesale and Retail Trade	3,105,839	1,507,306
Transport, Storage and Communication	55,560,127	117,805,517
Financial	856,711,238	836,176,841
Services	1,512,041,370	1,532,587,528
Individuals	228,227	316,559
Fertilizer	4,832,942	3,272,384
Metal Products	23,669,700	21,853,185
Telecommunication	32,082,348	25,204,570
Public Sector Commodity Operations	3,437,431	199,543
Rice processing and Trading	358,732	459,325
Food and Tobacco	2,082,149	460,902
Glass and Ceramics	502,829	977,165
Paper and Board	2,100,963	560,047
Engineering	81,202,951	68,544,006
Plastic Products	246,351	159,060
Sports Goods	6,229	26,713
Surgical equipments	86,235	47,143
Others	532,595	1,430,774
	<u>2,735,800,568</u>	<u>2,777,466,247</u>

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

	2023	2022
	------(Rupees in '000)-----	
Credit risk by public / private sector		
Public / Government	1,708,517,452	1,775,401,082
Private	1,027,283,116	1,002,065,165
	<u>2,735,800,568</u>	<u>2,777,466,247</u>

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48.2.1.5 Concentration of Advances

The Bank's top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,959,515 million (2022: Rs. 1,851,158 million) are as following:

	2023	2022
	------(Rupees in '000)-----	
Funded	441,093,207	306,636,922
Non Funded	1,518,421,637	1,544,521,600
Total Exposure	<u>1,959,514,844</u>	<u>1,851,158,522</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 2,045,103 million (2022: Rs. 1,899,110 million).

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

48.2.1.6 Advances - Province / Region-wise Disbursement and Utilization

Province/Region	2023						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	------(Rupees in '000)-----						
Punjab	488,630,825	487,273,108	111,328	1,246,389	-	-	-
Sindh	623,940,498	-	622,376,734	1,176,470	-	387,294	-
KPK including FATA	10,821,813	-	-	10,821,813	-	-	-
Balochistan	3,714,956	-	-	-	3,714,956	-	-
Islamabad	118,306,922	-	-	-	-	118,306,922	-
AJK including Gilgit-Baltistan	3,763,094	-	-	-	-	-	3,763,094
Total	1,249,178,108	487,273,108	622,488,062	13,244,672	3,714,956	118,694,216	3,763,094
Province/Region	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	------(Rupees in '000)-----						
Punjab	422,286,297	421,433,044	853,253	-	-	-	-
Sindh	491,891,761	826,000	489,953,056	-	500,000	612,705	-
KPK including FATA	11,459,625	-	-	11,459,625	-	-	-
Balochistan	4,073,074	-	-	-	4,073,074	-	-
Islamabad	129,737,810	-	-	-	-	129,737,810	-
AJK including Gilgit-Baltistan	7,244,799	-	-	-	-	-	7,244,799
Total	1,066,693,366	422,259,044	490,806,309	11,459,625	4,573,074	130,350,515	7,244,799

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48.2.2 Market Risk

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

The Group's market risk is managed through Market & Liquidity Risk Management Policy and Manual approved by the Board. Bank has in-place market risk limits to maintain risk emanating from such market drivers within the Bank's risk appetite. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored.

Standardized Approach is used to calculate capital charge for market risk as per Basel framework. Stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Bank and maintain the Bank's capital at an appropriate level.

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

48.2.2.1 Statement of Financial position split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
------(Rupees in '000)-----						
Cash and balances with treasury banks	295,455,482	-	295,455,482	230,226,311	-	230,226,311
Balances with other banks	43,004,567	-	43,004,567	19,623,124	-	19,623,124
Lendings to financial institutions	192,430,437	-	192,430,437	31,272,467	-	31,272,467
Investments	4,367,407,940	46,766,365	4,414,174,305	3,396,969,183	85,966,664	3,482,935,847
Advances	1,398,072,669	-	1,398,072,669	1,230,669,118	-	1,230,669,118
Fixed assets	57,477,067	-	57,477,067	57,604,343	-	57,604,343
Intangible assets	2,186,294	-	2,186,294	2,101,322	-	2,101,322
Right of use assets	7,335,901	-	7,335,901	7,186,067	-	7,186,067
Deferred tax asset	-	-	-	22,406,230	-	22,406,230
Other assets	258,737,303	-	258,737,303	167,741,065	-	167,741,065
	6,622,107,660	46,766,365	6,668,874,025	5,165,799,230	85,966,664	5,251,765,894

48.2.2.2 Foreign Exchange Risk

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

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

	2023				2022			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----								
United States Dollar	407,253,916	526,892,244	149,166,105	29,527,777	211,429,664	370,954,485	141,296,815	(18,228,007)
Great Britain Pound	4,563,184	8,045,545	8,217,517	4,735,156	3,736,408	7,473,268	5,377,060	1,640,200
Japanese Yen	5,270,740	1,265,119	2,990	4,008,611	4,521,164	1,566,256	109,675	3,064,583
Euro	11,886,019	14,678,082	5,639,911	2,847,848	11,899,656	22,030,243	14,029,417	3,898,830
Other currencies	125,917,928	63,654,039	6,779,686	69,043,576	85,538,450	17,315,572	5,066,952	73,289,829
	554,891,788	614,535,029	169,806,209	110,162,967	317,125,342	419,339,824	165,879,919	63,665,435

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	2023		2022	
	Banking book	Trading book	Banking book	Trading book
------(Rupees in '000)-----				
Impact of 1% change in foreign exchange rates				
- Profit and loss account	-	39,378	-	261,830
- Other comprehensive income	1,101,630	-	636,654	-

48.2.2.3 Equity position Risk

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

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
------(Rupees in '000)-----				
Impact of 5% change in equity prices				
- Profit and loss account	-	3,966	-	20,188
- Other comprehensive income	3,912,948	-	2,577,256	-

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

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

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.
- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.
- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
------(Rupees in '000)-----				
Impact of 1% change in interest rates on				
- Profit and loss account	-	402,100	-	758,615
- Other comprehensive income	20,443,787	-	17,740,339	-

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48.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	2023										Non-interest bearing financial instruments	
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Over 5 to 10 Years		Above 10 Years
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years			
On-balance sheet financial instruments												
(Rupees in '000)												
Assets												
Cash and balances with treasury banks	4.0%	295,455,482	47,892,144	-	-	-	-	-	-	-	-	247,563,338
Balances with other banks	10.7%	43,004,567	4,688,914	3,376,854	758,450	-	-	-	-	-	-	33,508,579
Lending to financial institutions	19.8%	192,430,437	192,420,714	-	-	-	-	-	-	-	-	9,723
Investments	19.8%	4,414,174,305	1,217,495,026	1,016,852,727	406,102,259	1,046,953,641	125,302,736	219,655,801	161,244,939	97,933,065	4,827,262	117,806,849
Advances	15.3%	1,398,072,669	398,482,253	400,789,064	198,012,729	64,385,689	23,471,767	41,855,723	44,435,433	58,092,119	60,544,803	108,003,089
Other assets	0.0%	258,732,684	1,154,262	86,327	-	1,397,158	-	-	-	-	-	256,094,937
		6,801,870,144	1,862,133,313	1,421,104,972	604,786,758	1,113,494,938	148,774,503	261,511,524	205,680,372	156,025,184	65,372,065	762,986,515
Liabilities												
Bills payable	0.0%	68,000,448	-	-	-	-	-	-	-	-	-	68,000,448
Borrowings	20.7%	2,177,743,194	2,087,923,897	39,730,834	7,640,293	710,905	1,073,314	1,066,201	6,558,534	33,017,995	21,221	-
Deposits and other accounts	12.5%	3,673,109,914	1,754,993,189	164,721,333	205,025,317	211,301,760	20,390,959	8,319,597	16,710,676	2,777,796	-	1,288,869,287
Liabilities against assets subject to finance lease	25.5%	208,268	-	-	-	64,241	-	144,027	-	-	-	-
Lease liability against right of use assets	9.9%	8,682,732	971	4,534	31,018	284,918	596,179	1,380,043	1,768,936	4,127,708	488,424	-
Other liabilities	0.0%	341,891,306	591,709	-	-	1,417,279	-	-	-	-	-	339,882,318
		6,269,635,862	3,843,509,766	204,456,701	212,696,628	213,779,103	22,060,452	10,909,868	25,038,146	39,923,499	509,645	1,696,752,053
On-balance sheet gap		332,234,282	(1,981,376,453)	(1,216,648,271)	392,090,130	899,715,835	126,714,051	250,601,656	180,642,226	116,101,685	64,862,420	(933,765,538)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,633,847,479	-	-	-	-	-	-	-	-	-	1,633,847,479
Commitments in respect of:												
- forward foreign exchange contracts		169,806,209	60,702,960	87,931,586	21,171,663	-	-	-	-	-	-	-
- forward government securities transactions		(4,332,657)	-	-	-	(658)	-	-	(2,908,182)	(1,423,817)	-	-
- Forward lending		44,432,555	-	-	-	-	-	-	-	-	-	44,432,555
Commitments for acquisition of:												
- fixed assets		1,129,442	-	-	-	-	-	-	-	-	-	1,129,442
Other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,844,883,028	60,702,960	87,931,586	21,171,663	(658)	-	-	(2,908,182)	(1,423,817)	-	1,679,409,476
Total Yield/Interest Risk Sensitivity Gap			(1,920,673,493)	1,304,579,857	413,261,793	899,715,177	126,714,051	250,601,656	177,734,044	114,677,869	64,862,420	745,643,938
Cumulative Yield/Interest Risk Sensitivity Gap			(1,920,673,493)	(616,093,636)	(202,831,843)	696,883,334	823,597,385	1,074,199,040	1,251,933,084	1,366,610,953	1,431,473,373	2,177,117,311

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Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments	
		2022											
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
(Rupees in '000)													
On-balance sheet financial instruments													
Assets													
		19,664,696	-	-	-	-	-	-	-	-	-	-	210,561,615
1.6%	Cash and balances with treasury banks	19,664,696	-	-	-	-	-	-	-	-	-	-	210,561,615
5.5%	Balances with other banks	4,080,785	1,796,603	556,760	797,970	-	-	-	-	-	-	-	12,391,006
16.2%	Lending to financial institutions	31,262,744	-	-	-	-	-	-	-	-	-	-	9,723
13.2%	Investments	623,770,208	1,495,119,190	545,060,870	201,640,994	121,415,872	114,581,645	175,991,374	115,774,778	7,150,694	82,430,222	-	82,430,222
10.4%	Advances	324,139,397	280,098,870	173,991,260	165,871,653	25,742,864	43,745,383	66,856,032	53,927,228	31,850,855	64,445,576	-	64,445,576
0.0%	Other assets	961,390	49,943	86,973	38,709	-	-	-	-	-	-	-	126,996,148
		1,003,879,219	1,777,064,606	719,695,862	368,349,326	147,156,736	156,327,028	242,847,407	169,702,005	39,001,549	496,834,290	-	496,834,290
Liabilities													
0.0%	Bills payable	-	-	-	-	-	-	-	-	-	-	-	55,268,019
15.8%	Borrowings	1,386,993,998	481,134,339	24,758,723	4,359,766	3,941,769	4,278,460	12,396,285	22,578,300	44,147	-	-	55,268,019
7.9%	Deposits and other accounts	1,692,284,015	56,331,627	143,645,001	62,752,364	87,857,931	21,560,944	14,583,213	1,997,543	-	584,260,619	-	584,260,619
16.1%	Liabilities against assets subject to finance lease	44,748	-	-	-	-	76,705	-	-	-	-	-	-
10.4%	Lease liability against right of use assets	50	21,308	60,618	295,566	416,971	1,376,016	1,921,963	2,978,296	1,690,227	-	-	266,726,818
0.0%	Other liabilities	992,453	-	-	-	-	-	-	-	-	-	-	266,726,818
		267,719,271	992,453	-	-	-	-	-	-	-	-	-	266,726,818
		3,080,315,264	537,487,274	168,464,342	67,407,696	92,216,671	27,292,125	29,901,461	27,554,139	1,734,374	906,255,456	-	906,255,456
	On-balance sheet gap	(2,076,436,045)	1,239,577,332	551,231,520	300,941,630	54,942,065	131,034,903	213,945,945	142,147,867	37,267,175	(409,421,166)	-	(409,421,166)
Off-balance sheet financial instruments													
	Documentary credits and short-term trade-related transactions	1,696,635,726	-	-	-	-	-	-	-	-	-	-	1,696,635,726
Commitments in respect of:													
	- forward foreign exchange contracts	165,979,918	78,713,612	62,008,252	25,158,054	-	-	-	-	-	-	-	-
	- forward government securities transactions	(32,591,580)	-	-	-	-	-	-	-	-	-	-	-
	- Forward lending	50,363,949	-	-	-	-	-	-	-	-	-	-	50,363,949
Commitments for acquisition of:													
	- fixed assets	798,234	-	-	-	-	-	-	-	-	-	-	798,234
	Other commitments	-	-	-	-	-	-	-	-	-	-	-	-
	Off-balance sheet gap	1,881,086,247	46,122,032	62,008,252	25,158,054	-	-	-	-	-	-	-	1,747,797,909
		(2,030,314,013)	1,301,585,584	576,389,575	300,941,630	54,942,065	131,034,903	213,945,945	142,147,867	37,267,175	1,338,376,744	-	1,338,376,744
	Total Yield / Interest Risk Sensitivity Gap	(2,030,314,013)	1,301,585,584	576,389,575	300,941,630	54,942,065	131,034,903	213,945,945	142,147,867	37,267,175	1,338,376,744	-	1,338,376,744
	Cumulative Yield / Interest Risk Sensitivity Gap	(2,030,314,013)	(728,728,429)	(152,338,855)	148,602,776	203,544,841	334,579,744	548,525,689	690,673,556	727,940,731	2,066,317,474	-	2,066,317,474

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2023	2022
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------(Rupees in '000)-----

48.2.2.6 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities

Total Financial Assets as per note 48.2.2.5	6,601,870,144	5,122,860,030
Add: Non-Financial Assets		
Fixed assets	57,477,067	57,604,343
Intangible assets	2,186,294	2,101,322
Right of Use Assets	7,335,901	7,186,067
Deferred tax assets	-	22,406,230
Other assets	4,619	39,607,902
	67,003,881	128,905,864
Total assets as per statement of financial position	6,668,874,025	5,251,765,894
Total Financial Liabilities as per note 48.2.2.5	6,269,635,862	4,937,628,802
Add: Non-Financial Liabilities		
Other liabilities	981,556	3,836,860
Deferred tax liabilities	842,568	-
Total liabilities as per statement of financial position	6,271,459,986	4,941,465,662

48.2.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. For effective implementation, Group has comprehensive Operational Risk Management (ORM) Framework and procedure documents. These documents provide guidance for setting up operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

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

Further, the Group has adopted an Operational Risk Management Policy Framework and Operational Risk Appetite are approved by the Board in-line with Basel framework and Bank's policy, respectively. Furthermore, Group has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries and Groups/Divisions at head office are responsible to report operational losses under their jurisdictions on immediate basis. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis. Risk Evaluation exercise is carried out for new products, processes and systems as per the ORM procedures document of the Group.

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

Moreover, the Group closely monitored overall bank's operational environment and undertook required actions to ensure the safety and security of Bank staff, assets and maintenance of service to its customers. The Group continued to take measures to ensure maintenance of their service levels and resolved customer complaints to meet the expectations of its stakeholders.

The Group operations stayed highly resilient and the Group deployed all necessary measures for the health and safety of its employees to prevent them from any unwarranted situation.

48.2.4 Information Security Risk

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

As first line of defense, the Business groups have primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. Our staff of Information Security Division (ISD) is second line of defense against any cyber risks. Therefore, the Group regularly assesses the information security controls and undertakes employees' awareness and trainings. The Group works with its key technology partners to ensure that potentially vulnerable systems are identified and appropriate fixes & controls are implemented to secure the systems. The Group is actively communicating with its customers on interacting with the Group in a secure manner through its full suite of channels including online and digital Grouping.

Over the span of last two years, the Group has taken various initiatives to uplift the cyber security controls. The management is cognizant of the fact that cyber security is a top priority risk and the Group is taking appropriate steps to monitor and respond to it. The Information Security Division (ISD) has been reorganized in 2022 with introduction of new technical roles of IS Security Operations & Threat Management, Network & Infrastructure Security, and Application & Database Security; in addition to the management roles of IS Governance & Compliance, IS Program Management, and IS Risk Management. The unit (ISD) works under the supervision of Chief Information Security Officer (CISO). Numerous steps have been taken by the Group to identify cyber security weaknesses of systems & infrastructure. Several controls are in place including but not limited to 24/7 SOC, 2FA authentication of VPN connections, Kaspersky EPP and KATA XDR, IBM QRadar SIEM upgrade, Guardium for Database security, Resilient for IR playbooks etc. in line with the action plan outlined in the Group's cyber security management framework. In addition to these, numerous other initiatives and projects are in line for further enhancement of Group's cyber security for years 2024 and 2025.

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48.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Group has a structure to identify other Pillar II material risks on periodic basis. The source of these reports includes, but not limited to, the Internal Capital Adequacy and Assessment Process (ICAAP), which takes into account risks over and above those which directly occur as a result of daily business and operations of the Group. These risks include Concentration Risk, Interest Rate Risk in Grouping Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

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

"Group's Stress-testing framework, comprises of tools, to deliver a timely assessment of the resilience of the Group's capital under stressed conditions to the senior management. It ranges from simple sensitivity analysis to sophisticated stress testing methods to capture the abnormal movement of market and economic indicators and to translate such scenarios into projections of Group's profitability, liquidity and capital planning.

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

48.2.6 Liquidity Risk

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

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

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

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48.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

	2023												
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets													
Cash and balances with treasury banks	295,455,482	292,116,487	931,850	-	2,405,140	2,005	-	-	-	-	-	-	-
Balances with other banks	43,004,567	33,574,696	121,714	188,428	3,937,730	3,751,779	-	758,450	-	-	-	-	-
Lendings to financial institutions	192,430,437	9,723	192,420,714	-	-	-	671,770	-	-	-	-	-	-
Investments	4,414,174,305	6,645,274	63,237	4,470,333	491,810	642,639	43,725,986	46,393,901	575,275,570	1,304,643,492	489,385,140	649,752,188	283,138,882
Advances	1,398,072,669	308,463,728	12,814,449	29,826,563	81,107,496	104,805,117	56,183,865	127,960,502	57,342,172	74,813,740	65,861,729	153,261,454	284,313,134
Fixed assets	57,477,067	-	-	-	33,181	-	29,358	-	-	764,175	2,332,578	709,154	1,574,446
Intangible assets	2,186,294	-	-	-	-	4,530	-	-	-	531,972	521,472	558,051	7,717
Right of use assets	7,335,901	-	-	-	274	1,017	2,112	26,771	67,685	191,032	502,464	1,042,021	1,591,972
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	258,737,303	76,635,621	569,457	9,337	(17,274)	54,619,154	53,434,573	33,961,677	6,476,723	22,596,844	757,405	1,136,107	2,080,956
	6,668,874,025	717,445,529	206,921,421	34,494,661	87,958,357	163,826,241	153,375,884	209,014,621	639,920,600	1,405,410,590	558,313,500	807,323,884	626,040,252
Liabilities													
Bills payable	68,000,448	68,000,448	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,177,743,194	19,330,975	515,916,633	688,152,390	864,421,899	9,640,838	30,189,996	7,640,293	620,036	1,073,314	1,066,201	6,558,534	33,039,216
Deposits and other accounts	3,673,109,914	2,920,420,517	34,709,515	16,717,829	74,090,370	93,681,799	70,146,129	207,889,752	153,452,035	20,388,267	8,323,449	16,710,676	2,777,797
Liabilities against assets subject to finance lease	208,268	-	-	-	-	-	-	-	-	64,241	144,027	-	-
Lease liability against right of use assets	8,682,732	610	-	-	363	1,697	2,837	31,018	76,618	660,880	1,332,356	1,799,513	4,616,131
Deferred tax liabilities	842,568	-	558	-	-	-	-	-	-	-	-	720,183	-
Other liabilities	342,872,862	204,685,508	1,911,066	1,141,953	1,046,977	6,560,557	6,149,853	36,083,856	3,771,941	26,230,647	10,936,240	21,215,571	20,707,164
	6,271,459,986	3,212,438,058	552,539,772	706,012,172	939,559,609	109,884,891	106,490,815	251,644,919	157,920,630	48,354,108	21,802,273	46,964,477	61,140,308
Net assets	397,414,039	(2,494,992,529)	(345,618,351)	(674,517,511)	(851,601,252)	53,941,350	46,885,079	(42,630,298)	481,999,970	1,002,120,521	1,357,056,482	536,511,227	760,359,407
Share capital	21,275,131												
Reserves	85,078,819												
Unappropriated profit	225,693,440												
Surplus on revaluation of assets	64,232,415												
Non-controlling interest	1,134,234												
	397,414,039												

(Rupees in '000)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

48.2.7 Derivative Risk

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

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

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

49. GENERAL

49.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements, wherever necessary, to facilitate comparison and better presentation. No significant reclassifications have been made during the current year.

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

50. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 22, 2024 by the Board of Directors of the Bank.



Chairman President / CEO Chief Financial Officer Director Director

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2023

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Total	Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total					
	2	3	4	5	6	7	8	9	10	11	12	
1	Harum Textile Mills Ltd. 98 B, New Muslim Town, Lahore	Ch. Naeem Gulzar 35202-3020481-3 Ch. Mazhar Shakeel Bhatti 34603-6324577-9 Mrs. Shakeela Naeem 35202-3263963-8 Mr. Gul Riaz Bhatti 34603-3801110-1 Mrs. Rehana Abbas 35202-2463452-8 Mrs. Seerat Zainat Bhatti 34603-5410998-9 Mr. Waheed Akhtar 34601-2837420-9	Gulzar Muhammad Anayatullah Bhatti Naeem Gulzar Anayatullah Bhatti Ghulam Abbas Mushtaq Haq Nawaz Muhammad Iqbal Tahir	295,572	44,776	285,583	625,931	-	-	285,531	285,531	
2	Adil Textile Mills Ltd. 156 N, Model Town Lahore	Adil Mehmood 35202-2700320-3 Nusrat Azhar 35202-5065994-6 Zulfiqar Haider 35404-1585958-7 Saqib Meqsood 35200-1497387-5 Shahid Qureshi 35200-1504083-7	Mehmood Saqib M. Mustafa Allah Ditta Meqsood Ahmad Ghulam Muhammad Qureshi	147,301	52,845	-	200,146	-	-	16,936	16,936	
3	Eden Housing Ltd. Eden Tower M 3, 82 -E/1 Main Boulevard Gulberg III Lahore	Muhammad Amjad 35202-7697311-7 Anjum Amjad 35202-2228505-4 Syed Mussarat Hussain Naqvi 35202-5668485-1	Ch. Ghulam Hussain Muhammad Amjad Syed Najam ul Hassan Naqvi	352,393	160,634	152,596	665,623	-	-	86,800	86,800	

Rs. in 000

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

S. No.	Name & Address of the borrower	Name of individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
4	M/s. Tharparkar Sugar Mills Limited (TSMIL)	Syed Imtiaz Ali Shah 44103-2975179-7 Syed Irfan Ali Shah 44103-4745570-5 Syed Irshad Ali Shah 42501-5421979-9	Ghulam Haider Shah Ghulam Haider Shah Mohammad Ali Shah	225,538	91,461	-	316,999	-	91,461	91,461	
5	Master Rice Mill, Near Ansar Sugar Mill, Moya Road Matli	Kheela Mal 41207-1069423-9 Leela Ram 41207-2433189-9	Warsi Mal Warsi Mal	47,170	2,411	36,777	86,358	-	23,453	23,453	
6	M/s Clifton Industry Shaab Ghara near Railway Crossing , Sialkot	Haiz Bilal Iahir 34603-2111701-1 Hassan Tahir 34603-7087782-1	Tahir Mahmood	8,918	-	1,855	10,773	-	573	573	
7	Mycal Kosoky Road Mohallah West, Christian Colony, Hafizabad	Mycal 34301-3642376-3	Sharif Masih	550	-	1	551	550	1	551	
8	Mushtaq Ahmad S/o Nawazish Ali H.No.786, Ward # 8/17, Old Nankana Sahib, Dist: Nankana Sahib	Mushtaq Ahmad 35402-1931411-7	Nawazish Ali	701	-	65	766	701	65	766	
9	M/s.Jawad and Co Ghalla Mandi Gharbi, Hafizabad	Syed Hassam Faiza 34301-7868277-9 Syed Shabbir Hussain Shah 34302-7851864-9	Syed Anwaar Hussain Sherazi Bahawal Sher	2,425	3,614	350	6,389	-	857	857	
10	Khushal Khan Goharabad PO Hattain Bala, Tehsil & Dist: Hattain Bala, AJK	Khushal Khan 61101-1918367-1	Muhammad Sharif	561	-	-	561	561	-	561	
11	Ziauddin S/o Hakim Din Harayyla Gujran PO Ghari Dopatta, Muzaffarabad AJK	Ziauddin 82203-6730841-1	Hakim Din	507	-	-	507	507	-	507	
12	Raja Farooque Asghar Ward No. 03, Mohallah Sundgali, Muzaffarabad.	Raja Farooque Asghar 82203-9900372-5	Raja Muhammad Asghar	1,060	-	13	1,073	1,060	13	1,073	

Rs. in 000

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

S. No.	Name & Address of the borrower	Name of individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
13	Javeed Ahmed Muhallah Bais Colon, Larkana	Javeed Ahmed 43202-0825825-9	Muhammad Alam Khokhar	964	-	-	964	-	-	964	
14	Nagar Ali Village Wandh Saboo, Karlo Taluka Ratodero, Distt: Larkana	Nagar Ali 43205-7523677-1	Allah Rakho Mangnep	587	-	-	587	-	-	587	
15	Ghulam Hussain Muhallah Haasan Pur Taluka Ratodero, Distt: Larkana	Ghulam Hussain 43205-4716171-7	Muhammad Siddique Bhutto	641	-	-	641	-	-	641	
16	Sharafuddin Jatoi Airport Road Muhalla Alahabad, Distt: Larkana	Sharafuddin Jatoi 43203-4239556-5	Abdul Qadir Jatoi	968	-	-	968	-	-	968	
17	Ghulam Ali Village Baradi Sario, PO Begi, Distt: Larkana	Ghulam Ali 43201-3788993-1	Abdul Rahim Channo	748	-	-	748	-	-	748	
18	Syed Fazal Shah Madrasa Mohalla Khandkot Taluka Kandhkot Distt Kashmoite	Syed Fazal Shah 43103-3985114-5	Syed Muhammad Ismail Shah	1,029	-	-	1,029	-	-	1,029	
19	Late Abdul Rasheed Bhatti Muhalla, Old Saeedar, Tehsil Garhi Yasin Distt: Shikarpur	Late Abdul Rasheed 43304-7949750-9	Khan Muhammad	813	-	-	813	-	-	813	
20	Muhammad Adam New Colony Ward No.01, Taluka Johi	Muhammad Adam 41202-2400875-3	Muhammad Khan Babar	762	-	-	762	-	-	762	
21	Nazir Hussain Wadi Wafni, PO Dokri Khairwah, Taluka Dokri	Nazir Hussain 43201-3205633-7	Gul Muhammad Soomro	567	-	-	567	-	-	567	
22	Munawar Ali Muhalla Noorani Baclah, Taluka & Distt: Larkana	Munawar Ali 43201-5620272-3	Sajawal Khan Jajo	501	-	-	501	-	-	501	
23	Late Muhammad Ali Village Bukhsboo Meejli, Tai: Garhi Yasin	Late Muhammad Ali 43301-9249271-3	Amir Bux	618	-	-	618	-	-	618	
24	Irshad Ahmed Muhalla New Nazar City, Distt: Larkana	Irshad Ahmed 43203-1357034-5	Muhammad Hassan Dayo	903	-	-	903	-	-	903	
25	Mubarak Ali Muhallah Ruhul Khan Bugti, Village Metho Dero	Mubarak Ali 43203-2836628-5	Makan Khan Bugti	1,004	-	-	1,004	-	-	1,004	
26	Amir Bux Haji Latif Shah Sindh Wan Road, Shikarpur	Amir Bux 43304-9696653-3	Hussain Bux	867	-	-	867	-	-	867	
27	Late Abdul Hameed Village Hajana, Distt: Shikarpur	Late Abdul Hameed 43304-0595038-1	Fateh Ali Hajano	568	-	-	568	-	-	568	
28	Nazakat Ali PO Rangar Muhalla Radhan Station Taluka Mehrar	Nazakat Ali 41205-6653335-5	Faqir Muhammad Khaskheili	852	-	-	852	-	-	852	
29	QudratUllah Village Haji Abdul Karim Jagrani	QudratUllah 43103-5595015-9	Abdul Kareem	611	-	-	611	-	-	611	
30	Ghulam Akbar Street sanch PO Ratodero Taluka Ratodero Distt Larkana	Ghulam Akbar 43205-8762110-1	Khawand Dino	959	-	-	959	-	-	959	
31	Bhag Chand Muhalla Maaraj Ramchand Havelli PO ratodero Dist Larkana	Bhag Chand 43205-3665745-9	Heera Nand	695	-	-	695	-	-	695	
32	Qurban Ali Village Karant taluka Dokri	Qurban Ali 43201-7182377-1	Muhammad Ishaque Soomro	517	-	-	517	-	-	517	
33	Shaikh Muhalla, Nasirabad	Ali Hyder 43207-6130872-5	Muhammed Khan	732	-	-	732	-	-	732	
34	Ghulam Sarwar Bus Stand Muhalla, Laksi	Ghulam Sarwar 43303-9814115-7	Plyaro	740	-	-	740	-	-	740	
35	Ghulam Rasool Village Haji Dhani Bux, Mashori, P.O. Noushoro Feroz	Ghulam Rasool 45304-8942645-9	Punhoo Khan	636	-	-	636	-	-	636	
36	Ali Asghar Utho Village Muhammad Khan Utho Taluka Qazi Ahmed Distt: Shaheed Benazir Abad	Ali Asghar Utho 45402-0926307-5	Muhammad Umar	572	-	-	572	-	-	572	

Rs. in 000

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

S. No.	Name & Address of the borrower	Name of individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
37	Muhammad Umer H.NO 27-28 Mohalla Fateh Town, Eid Gah Road, Mirpurkhas	Muhammad Umer 44103-4920760-3	AllaUddin	514	-	-	514	-	-	514	
38	Musheer Ahmad Kiki, PO Bahadurpur, Tehsil Sadigabad, Dist: Rahimyar Khan	Musheer Ahmad 31304-0683164-7	Wali Dad	523	-	-	523	-	-	523	
39	Rafaqat Masih S/o Saeed Masih Street # 3, Abu Al Hasan Colony, Rahim Yar Khan	Rafaqat Masih 31303-7078874-9	Saeed Masih	504	-	-	504	-	-	504	
40	Shabbir Ahmad Nadeem Trl Garh, Tehsil & Dist Rahimyar Khan	Shabbir Ahmad Nadeem 31303-2370563-3	Fakhar Uddin	562	-	2	564	-	2	564	
41	Muhammad Abdul Mujtaba H. No. 03, Muhalla Pir Manan, Uchsharif, District Bahawalpur.	Muhammad Abdul Mujtaba 31201-0313186-7	Muhammed Abdullah	1,032	-	-	1,032	-	-	1,032	
42	Muhammad Tariq H#53/D Mohalla Munshian Bannu	Muhammad Tariq 11101-0631524-1	Nabi Bakhtsh	587	-	-	587	-	-	587	
43	Said Nawaz Khan Akhundand Landidak, PO Miyan, Bannu	Said Nawaz Khan 11101-5954241-3	Sher Daraz Khan	599	-	-	599	-	-	599	
44	Nasir Mehmood Mangoke P/o Same Tehsil Nowshera Virkan District Gujranwala	Nasir Mehmood 34103-4394533-1	Ameer Din	820	-	-	820	-	-	820	
45	Muhammad Akram St. 06 Barkat Colony PO Climax Gujranwala	Muhammad Akram 34101-9711636-5	Ali Hassan	962	-	-	962	-	-	962	
46	Rashid Ali Aziz Near Railway Colony, Piran Ghalib, P/O Wapda Colony, Multan	Rashid Ali Aziz 36302-0401119-9	Abdul Aziz	651	-	-	651	-	-	651	
47	Haq Nawaz Chak KikarWala, PO Khaas, Jhok Yaince, Multan	Haq Nawaz 36302-3736785-5	Muhammed Bux	586	-	-	586	-	-	586	
48	Niaz Hussain H. NO 889f/O Mohalla Tibi Sher Khan Multan	Niaz Hussain 36302-0418840-1	Manzoor Hussain Bhatti	657	-	-	657	-	-	657	
49	M/S Sahnawal Trading Coporation Citizen Market Chowk Dera Adkla Multan	Muhammad Zahid Iqbal (Deceased), 36302-4255478-1	Muhammacd Ali	389	2,148	180	2,717	-	817	817	
50	Liaqat Ali P/O I-SP Wasaywala PO Same Tehsil Deepalpur	Liaqat Ali 35301-1903769-7	Muhammad Manzoor	528	-	-	528	-	-	528	
51	Muhammad Jahangir P/O I-SP Wasaywala PO Same Tehsil Deepalpur	Muhammad Jahangir 35301-7560230-7	Muhammad Boota	833	-	-	833	-	-	833	
52	Atia Ullah Shah Resident of Muhallah Saidean, Tindo Dag Dist Swat	Atia Ullah Shah 15602-0464193-5	Ahmed Shah	545	-	-	545	-	-	545	
53	Aslam Zeb Resident of Bara Druishkhele Dist Swat	Aslam Zeb 15601-0131249-5	Mian Gul	532	-	-	532	-	-	532	
54	Muhammad Hussain Resident of Muhallah Chitor, Saidu, Shaif Dist Swat	Muhammad Hussain 156023911465-3	Alamgir	517	-	-	517	-	-	517	
55	Fazal Ilahi Karnagara, Navikali, PO Sarian Bala Dir-L	Fazal Ilahi 15302-5913190-1	Ghawal	938	-	-	938	-	-	938	
56	Ijaz Hussain Tahir Chak Malka Wala, PO Qadriabad Karnwah, Veriari.	Ijaz Hussain Tahir 36603-2786639-5	Ahmad Yar	926	-	-	926	-	-	926	
57	Muhammad Arshad Munir Guljust Colony, Multan	Muhammad Arshad Munir 36502-3768116-7	Muhammad Munir	11,920	4,988	88	16,996	-	501	501	
58	Arshad Masih Mohallah Rasoolpura, Malisi	Arshad Masih 36602-6531987-9	Munshi Masih	572	-	-	572	-	-	572	
59	Zaheer Ahmed Village Shahmeer Rahoo, Talika Saeed Abad, District Mallari.	Zaheer Ahmed 41301-6676925-3	Muhammed Dawood	661	-	-	661	-	-	661	
60	Muhammad Janil Block 5-A, PWD, H. No. 15, Street No.17, Sector G-9, Islamabad	Muhammad Janil 61101-4573281-3	Muhammad Habb	658	-	-	658	-	-	658	

Rs. in 000

ANNEXURE 'I' AS REFERRED TO IN NOTE 11.6 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

S. No.	Name & Address of the borrower	Name of individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
61	Mir Muhammed	Mir Muhammed 42201-5952626-7	Ghulam Hyder	760	-	-	760	-	-	760	
62	Ghulam Murtaza H. No.12, Street No. 49-A, Itehad Colony, Tajpura Road, Ghaziabad, Lahore.	Ghulam Murtaza 33201-5875266-1	Muhammed Boota	610	-	-	610	-	-	610	
63	Raqeef Khan House No. H-37, Staff Colony, Mirpur AK	Raqeef Khan 81302-1703271-1	Abdul Rasheed	676	-	-	676	-	-	676	
64	Ziarat Gul Police Hospital Cantt. Police Lines.	Ziarat Gul 17301-1355176-7	Azeem Khan	526	-	-	526	-	-	526	
65	Zahoor Ahmed Chagar Matti Peshawar	Zahoor Ahmed 17301-5161490-7	Sher Muhammed	655	-	-	655	-	-	655	
66	Raja Muhammed Saleem Street No. 02, Munnala Model Town Bhalwal, District Sargodha.	Raja Muhammed Saleem 38401-7113926-3	Muhammed Ameen	510	-	4	514	-	4	514	
67	Muhammed Hanif Village Mari, P.O Mando Dero, Taluka Rohri, District Sukkur.	Muhammed Hanif 45502-2866977-3	Muhammed Dawood Shaikh	586	-	-	586	-	-	586	
68	Ghulam Abbas Village Ali Muhammed Mangrio, Talka Bhiya City, Lakha Road, District Nausharo, Feroz.	Ghulam Abbas 45301-0588939-7	Allah Yar Awan	824	-	-	824	-	-	824	
69	IE Khan Gailina Sargeevna, 50-Pushkina Street, Novapakrovka village, Bishkek	Khan Gailina Sargeevna 1919566	Khan Muhammad Zahid	20,990	-	2,672	23,662	2,672	-	10,891	
70	Aygun Adil Bahamova (grocery store on Agha Neymatulla Street, Baku)	Aygun Bahamova 01935360	Adil	-	2,304	232	2,536	2,304	232	2,536	
71	Mirzayeva Bahar Amirsultan Giz (car repair shop on Sharfzade Street, Yasamal district)	Mirzayeva Bahar 08174034	Amirsultan Giz	-	556	40	596	556	40	596	
72	Suleyev Karim, Kazakhstan Almaty sity, Zhandosov Street, 29G, apt. 17	Suleyev Karim Sysanovich 18146989	Sisanovich	4,093	-	-	4,093	-	-	2,871	
73	LLP "LD" Kazakhstan Almaty, st. Cholbatsana, d. No. 10b	Elham Guseinov 31613611	Tagi Ogli	32,135	506	1,043	33,684	9,676	526	10,202	
74	LLP "Canvista" Almaty, Alatau district, mkr. Kurylyshy, st. Aishaly, 58 G	Ushnugina Tumara 17761969	Not Available	93,260	33,986	3,817	131,063	8,997	35,481	48,463	
75	LLP Troy Tech, Michurina sreet # 2, Temirtau city, Karaganda region, Kazakhstan	Surucu Deniz Nazim U 03891469	Not Available	84,215	7,814	5,657	97,686	29,715	6,147	40,313	
76	Turkebayeva Saule, Almaty region, Zhamyl district, s. Uzynqash, st. Moldagulova, house 57	Turkebayeva Saule Zhanbulova 7129435	Sabir	4,241	366	-	4,607	2,104	366	2,470	
				1,371,647	408,409	490,975	2,271,031	102,669	48,052	515,722	666,443

Rs. in 000

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

ISLAMIC BANKING BUSINESS

The bank is operating 188 (2022: 188) Islamic banking branches and 150 (2022: 50) Islamic banking windows as at December 31, 2023.

	2023	2022
ASSETS		
	------(Rupees in '000)-----	
Cash and balances with treasury banks	10,248,305	6,096,555
Balances with other banks	43,076	13,766
Investments	51,544,718	53,920,119
Islamic financing and related assets - net	73,125,189	46,380,996
Fixed assets	70,902	87,489
Right of use assets (ROUA)	640,166	508,977
Other assets	4,488,184	2,294,054
Total Assets	140,160,540	109,301,956
LIABILITIES		
Bills payable	477,959	1,210,608
Deposits and other accounts	113,801,806	93,591,714
Due to Head Office	12,960,028	4,005,715
Lease liability against right of use assets	811,291	721,152
Other liabilities	2,249,195	1,490,182
	130,300,279	101,019,371
NET ASSETS	9,860,261	8,282,585
REPRESENTED BY		
Islamic Banking Fund	6,731,000	5,561,000
Surplus / (Deficit) on revaluation of assets	(400,216)	424,444
Unappropriated / unremitted profit	3,529,477	2,297,141
	9,860,261	8,282,585
CONTINGENCIES AND COMMITMENTS		

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2023 is as follows:

	2023	2022
	------(Rupees in '000)-----	
Profit / return earned	21,584,554	12,661,168
Profit / return expensed	(13,764,527)	(7,600,260)
Net Profit / return	7,820,027	5,060,908
Other income		
Fee and Commission Income	317,707	317,961
Foreign Exchange Income	61,765	155,195
Other Income	50	2,025
Total other income	379,522	475,181
Total Income	8,199,549	5,536,089
Other expenses		
Operating expenses	(3,496,250)	(3,050,827)
Other charges	(220)	(374)
Total other expenses	(3,496,470)	(3,051,201)
Profit before provisions	4,703,079	2,484,888
Provisions and write offs - net	(1,173,602)	(187,747)
Profit before taxation	3,529,477	2,297,141
Taxation	-	-
Profit after taxation	3,529,477	2,297,141

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
1 Investments by segments:	------(Rupees in '000)-----							
Federal Government Securities:								
-Ijarah Sukuks	34,601,068	-	(726,606)	33,874,462	33,648,948	-	(339,589)	33,309,359
Non Government Debt Securities								
-Listed	7,800,000	-	287,176	8,087,176	8,200,000	-	303,132	8,503,132
-Unlisted	9,674,673	(130,807)	39,214	9,583,080	11,777,533	(130,807)	460,901	12,107,628
	17,474,673	(130,807)	326,390	17,670,256	19,977,533	(130,807)	764,033	20,610,760
Total Investments	52,075,741	(130,807)	(400,216)	51,544,718	53,626,481	(130,807)	424,444	53,920,119

	Note	2023	2022
		------(Rupees in '000)-----	
2 Islamic financing and related assets			
Ijarah	2.1	13,749	38,208
Murabaha	2.2	3,291,932	1,713,901
Running Musharaka		30,500,000	-
Diminishing Musharaka		19,357,928	22,062,256
Istisna		705,500	-
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advance for Murabaha		-	2,127,000
Advance for Diminishing Musharaka		113,086	100,894
Advance for Istisna		8,850,972	9,396,236
Inventories against Istisna		3,342,628	3,097,800
Gross Islamic financing and related assets		74,675,795	47,036,295
Less: provision against Islamic financings			
- Specific		(913,875)	(654,980)
- General		(636,731)	(319)
		(1,550,606)	(655,299)
Islamic financing and related assets - net of provision		73,125,189	46,380,996

2.1 Ijarah

	2023						Book Value as at December 31, 2023
	Cost			Depreciation			
	At January 01, 2023	Additions / (deletions)	As at December 31, 2023	At January 01, 2023	Charge/ Adjustment for the year	As at December 31, 2023	
	------(Rupees in '000)-----						
Plant & Machinery	63,474	-	59,828	50,820	-	47,449	12,379
	-	(3,646)	-	-	(3,371)	-	-
Vehicles	168,680	-	6,000	143,126	1,065	4,630	1,370
	-	(162,680)	-	-	(139,561)	-	-
Total	232,154	-	65,828	193,946	1,065	52,079	13,749
		(166,326)			(142,932)		

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

	2022						Book Value as at December 31, 2022
	Cost			Accumulated Depreciation			
	As at January 01, 2022	Additions / (deletions)	As at December 31, 2022	As at January 01, 2022	Charge/ Adjustment for the year	As at December 31, 2022	
------(Rupees in '000)-----							
Plant & Machinery	245,257	-	63,474	207,075	25,228	50,820	12,654
		(181,783)			(181,483)		
Vehicles	209,727	-	168,680	152,834	28,725	143,126	25,554
		(41,047)			(38,433)		
Total	454,984	-	232,154	359,909	53,953	193,946	38,208
		(222,830)			(219,916)		

Future Ijarah payments receivable

	2023				2022			
	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
------(Rupees in '000)-----								
Ijarah rental receivables	1,460	-	-	1,460	36,438	9,802	-	46,240

		2023	2022
		------(Rupees in '000)-----	
2.2 Murabaha			
Murabaha financing	2.2.1	3,291,932	1,713,901
Advances for Murabaha		-	2,127,000
		3,291,932	3,840,901
2.2.1	Murabaha receivable - gross	3,409,195	1,868,953
	Less: Deferred murabaha income	31,040	73,359
	Less: Profit receivable shown in other assets	86,223	81,693
	Murabaha financings	3,291,932	1,713,901
2.2.2	The movement in Murabaha financing during the year is as follows:		
	Opening balance	1,868,953	982,249
	Sales during the year	11,165,657	12,721,419
	Adjusted during the year	9,625,415	11,834,715
	Closing balance	3,409,195	1,868,953

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

		2023	2022
------(Rupees in '000)-----			
2.2.3	Murabaha sale price	11,165,657	12,721,419
	Murabaha purchase price	10,750,858	12,234,017
		414,799	487,402
2.2.4	Deferred murabaha income		
	Opening balance	73,359	25,980
	Arising during the year	402,591	487,539
	Less: Recognised during the year	(444,910)	(440,160)
	Closing balance	31,040	73,359

3	Deposits	2023			2022		
		In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Note		------(Rupees in '000)-----					
	Customers						
	Current deposits	23,153,680	185,921	23,339,601	20,491,314	167,871	20,659,185
	Savings deposits	56,721,533	-	56,721,533	41,254,385	-	41,254,385
	Term deposits	16,261,024	-	16,261,024	15,137,438	-	15,137,438
		96,136,237	185,921	96,322,158	76,883,137	167,871	77,051,008
	Financial Institutions						
	Current deposits	1,879,123	-	1,879,123	354,951	-	354,951
	Savings deposits	15,071,912	-	15,071,912	14,114,989	-	14,114,989
	Term deposits	528,613	-	528,613	2,070,766	-	2,070,766
		17,479,648	-	17,479,648	16,540,706	-	16,540,706
	3.2	113,615,885	185,921	113,801,806	93,423,843	167,871	93,591,714

		2023	2022
------(Rupees in '000)-----			
3.1	Composition of deposits		
	- Individuals	54,111,171	45,084,725
	- Government / Public Sector Entities	23,779,916	23,311,046
	- Banking Companies	2,338,737	773,228
	- Non-Banking Financial Institutions	15,140,911	15,767,478
	- Private Sector	18,431,071	8,655,237
		113,801,806	93,591,714

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 55,033 million (2022: Rs. 47,134 million).

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

	2023	2022
Note	------(Rupees in '000)-----	
4 Charity Fund		
Opening Balance	203	64
Additions during the period		
Received from customers on account of delayed payment	9,067	286
Profit on charity saving account	99	3
	9,369	353
Payments / utilization during the period		
Education	1,500	-
Health	1,500	-
Others	-	150
	3,000	150
Closing Balance	6,369	203
4.1 Charity paid during the year are as follows		
Indus Hospital & Health Network	1,500	-
The Citizen Foundation	1,500	-
Prime Minister Flood Relief Fund	-	150
Total	3,000	150
5 Islamic Banking Business Unappropriated/ Unremitted Profit		
Opening Balance	2,297,141	1,502,668
Add: Islamic Banking profit for the year	3,529,477	2,297,141
Less: Transferred / Remitted to Head Office	(2,297,141)	(1,502,668)
Closing Balance	3,529,477	2,297,141
6 Contingencies & commitment		
Guarantees	-	-
Commitments	-	-
Other contingent liabilities	-	-
	-	-
7 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	12,351,676	5,712,166
Investments	9,231,359	6,730,485
Placements	1,519	1,235
Others (Bai Muajjal)	-	217,282
	21,584,554	12,661,168

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

2023	2022
------	------

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

8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	9,901,324	5,589,067
Amortisation of lease liability against - ROUA	79,419	79,103
Others (General Account)	3,783,784	1,932,090
	13,764,527	7,600,260

9 Pool Management

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

a) General depositor pool

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

b) Special depositor pools (Total 213 during the period and 47 as at Dec 31, 2023)

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

c) Equity pool

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

Key features and risk & reward characteristics

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

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

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

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

ANNEXURE 'II' AS REFERRED TO IN NOTES 2.1 AND 11.7 OF THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

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

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

Sector	2023	2022
	------(Percentage)-----	
Fertilizer	0.00%	1.48%
Textile	3.34%	4.25%
Fuel & energy	24.72%	34.07%
Leasing/Modarbas	0.02%	0.03%
Sugar	6.12%	7.80%
Cement	3.81%	6.10%
Gas	0.15%	0.35%
Financial	1.57%	1.94%
Federal Government	27.29%	32.95%
Real Estate	2.45%	3.10%
Agriculture	0.24%	0.30%
Commodity Operations	23.66%	0.00%
Others	6.62%	7.64%
Total	100%	100%

Parameters for profit allocation and charging expenses

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

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

	31-Dec-23 Rupees in '000
Mudarib Share	
Gross Distributable Income	17,033,942
Mudarib (Bank) share of profit before Hiba	5,216,246
Mudarib Share in percentage	31%
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	5,216,246
Hiba from bank's share to depositors	1,779,501
Hiba from bank's share to depositors in percentage	34%

Profit rates

During the year ended Dec 31, 2023 the average profit rate earned by NBP Islamic Banking Group is 19.03% and the profit distributed to the depositors is 14.31%.

PATTERN OF SHAREHOLDING

As of 31st December

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government Holding			
M/S. FEDERAL GOVERNMENT OF PAKISTAN	1	6,238,919	0.29
M/S. PAKISTAN ATOMIC ENERGY COMMISSION	1	679,424	0.03
FINANCE DIVISION, MINISTRY OF FINANCE, GOVT. OF PAKISTAN	1	1,656,788	0.08
State Bank of Pakistan			
M/S. STATE BANK OF PAKISTAN	1	1,599,845,728	75.20
Directors, Chief Executive Officer, their spouse(s) and minor children			
REHMAT ALI HASNIE	1	949	0.00
FARID MALIK	1	1,000	0.00
Associated Companies, undertakings and related parties	1	70,000	0.00
NIT and ICP	1	463,078	0.02
Banks Development Financial Institutions, Non-Banking Financial Institutions	8	17,696,447	0.83
Insurance Companies	5	17,627,322	0.83
Modarabas and Mutual Funds	15	14,919,442	0.70
Public Sector Companies and Corporation	5	113,385,860	5.33
General Public			
a. Local	9,858	136,806,540	6.43
b. Foreign	89	1,096,324	0.05
Foreign Companies	15	148,170,409	6.96
Others	153	68,854,796	3.24
Totals	10,156	2,127,513,026	100.00

Share holders holding 10% or more	Shares Held	Percentage
-----------------------------------	-------------	------------

M/S. STATE BANK OF PAKISTAN*

1,599,845,728

75.20

* The Pakistan Sovereign Wealth Fund Act, 2023 became effective during the current period. Under the said Act, the SBPs shareholding in the Bank stands transferred to the Pakistan Sovereign Wealth Fund (PSWF).

NATIONAL BANK OF PAKISTAN

75TH ANNUAL GENERAL MEETING

FORM OF PROXY

Folio No. _____ or CDC participant Identity No. _____

CDC Account No. _____

I/We _____

of _____

being member(s) of the National Bank of Pakistan, holding shares no. _____ hereby

appoint _____ of _____ also a

member of the National Bank of Pakistan (Folio No. _____) or failing him/her

_____ of _____ also a member of National Bank of Pakistan (Folio

No. _____) as my/our Proxy to attend the 75th Annual General Meeting of National

Bank of Pakistan, to be held at 04:00 P.M. (PKT) on Thursday, March 28, 2024, at Mövenpick Hotel, Club Road, Karachi or through electronic means and at any adjournment thereof.

Proxyholder email address (for attending meeting through electronic means): _____ and

mobile number _____

Signed this _____ day of March, 2024.

Witnesses:

Name: _____

Address: _____

CNIC No. _____

Name: _____

Address: _____

CNIC No. _____

Signature _____

(Signature should agree with the specimen signature registered with the Bank)

**Affix Revenue Stamp
of Five Rupees.**

NOTE:

Attending Meeting through Proxies:

1. All members, entitled to attend and vote at the Annual General Meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless of whether they are a member or not, as a proxy.
2. The proxy instrument must be complete in all respects and in order to be effective should be deposited at Office of the Registrar or Office of the Secretary Board, 2nd Floor, NBP Head Office, I. I. Chundrigar Road, Karachi, not later than 48 hours before the time of holding the meeting.
3. For attending the meeting through electronic means (Zoom), a proxy form shall be submitted along with the proxyholders' email address and mobile number.
4. If any member appoints more than one proxy for any meeting and more than one instrument of the proxy is deposited with the Registrar or the Bank, all such instruments of proxy shall be rendered invalid.

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

- i. In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations shall submit the proxy form as per the requirements mentioned below:
 - a). The proxy form shall be witnessed by two persons whose names, addresses, and CNIC numbers shall be mentioned on the form.
 - b). An attested copy of CNIC or valid Passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- ii. In case of Government of Pakistan/State Bank of Pakistan/corporate entity, the original or duly authenticated Board of Directors' resolution or power of attorney with specimen signatures of the nominee shall be submitted along with the proxy form to Messrs. CDC Share Registrar Services Limited or to the Office of the Secretary Board, 2nd Floor, NBP Head Office, I.I. Chundrigar Road, Karachi.

نیشنل بینک آف پاکستان

پرائسی فارم برائے چھتر واں سالانہ اجلاس عام

فیو نمبر _____ پاسی ڈی سی پارٹنیشن آئیڈنٹیفی نمبر _____

سی ڈی سی اکاؤنٹ نمبر _____

میں / ہم _____

جن کا تعلق _____

سے ہے نیشنل بینک آف پاکستان ہولڈنگ شیئرز نمبر _____ کا / کے رکن ہوتے ہوئے بذریعہ ہذا _____ کے _____ کو جو کہ نیشنل بینک آف پاکستان (فیو نمبر) _____ کا رکن بھی ہے یا _____ کے _____ کی ناکامی کی صورت میں جو کہ نیشنل بینک آف پاکستان (فیو نمبر) _____ کا رکن بھی ہے کو میرے / ہمارے نمائندے کے طور پر نامزد کرتا ہوں / کرتے ہیں تاکہ وہ نیشنل بینک آف پاکستان کے 75 ویں سالانہ اجلاس عام میں میرے / ہمارے پرائسی کے طور پر شرکت کریں جو کہ بروز جمعرات 28 مارچ 2024 کو شام 04:00 بجے موہن پک ہوٹل، کلب روڈ، کراچی اور الیکٹرانک ذرائع سے اور اس کے کسی بھی التواہ پر منعقد ہوگا۔

پرائسی کی ای میل ایڈریس (الیکٹرانک ذرائع سے شرکت کے لئے) _____ موبائل نمبر _____

اسے مارچ 2024 کی _____ تاریخ کو دیکھ لیا گیا:

گواہان:

پانچ روپے کے
ریونٹ اسٹیپ

نام _____

پتہ _____

شناختی کارڈ نمبر _____

نام _____

پتہ _____

شناختی کارڈ نمبر _____

دستخط _____

دستخط دینے کے نمونے سے مطابقت رکھتے ہوں یا بینک میں رجسٹرڈ ہوں

نوٹ

پرائسی کے ذریعے اجلاس میں شرکت

- 1- تمام ممبران، جو سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کے حقدار ہیں، کسی دوسرے ممبر کو حقیری طور پر اپنے پرائسی کے طور پر مقرر کرنے کے حقدار ہیں، تاکہ وہ شرکت کریں اور ووٹ دیں۔ ایک قانونی ادارہ، ایک رکن ہونے کے ناطے کسی بھی شخص کو چاہے وہ رکن ہے یا نہیں، بطور پرائسی مقرر کر سکتا ہے۔
- 2- پرائسی کی جزئیات بر لحاظ سے مکمل ہونا چاہئے اور موثر ہونے کے لئے رجسٹرار کے دفتر یا سیکریٹری بورڈ کے دفتر، دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چندریگر روڈ، کراچی میں مینٹگ کے انعقاد کے وقت سے 48 گھنٹے پہلے جمع کروانا ہوگا۔
- 3- الیکٹرانک ذرائع (زوم) کے ذریعے مینٹگ میں شرکت کے لئے پرائسی ہولڈرز کے ای میل ایڈریس اور موبائل نمبر کے ساتھ ایک پرائسی فارم جمع کروانا لازمی ہے۔
- 4- اگر کوئی ممبر کسی بھی مینٹگ کے لئے ایک سے زیادہ پرائسی کا تقرر کرتا ہے اور پرائسی کے ایک سے زیادہ انسٹرومنٹ رجسٹرار یا بینک کے پاس جمع کرائے جاتے ہیں، تو پرائسی کے ایسے تمام انسٹرومنٹ کو غلط قرار دیا جائے گا۔

حصص یافتگان کو پرائسیوں کی تقرری کے لئے درج ذیل رہنما اصولوں پر عمل کرنا ہوگا۔

- 1 افراد کے معاملے میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور ایادہ شخص جس کی سلیپو ریڈز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق اپ لوڈ کی گئی ہیں ذیل میں بیان کردہ ضروریات کے مطابق پرائسی فارم جمع کروائیں۔
- الف) پرائسی فارم پر دو افراد کو ای دیں گے جن کے نام، پتے اور شناختی کارڈ نمبر فارم پر درج ہوں گے۔
- ب) قومی شناختی کارڈ کی تصدیق شدہ کاپی یا بینی فیشل ماکان اور پرائسی کے پاسپورٹ کی کاپی پرائسی فارم کے ساتھ پیش کی جائے گی۔
- II حکومت پاکستان اسٹیٹ بینک آف پاکستان / کارپوریٹ ادارے کی صورت میں نامزد شخص کے دستخط کے نمونے کے ساتھ اصل یا باضابطہ تصدیق شدہ بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی میسرز ڈی سی شیئرز رجسٹرار سرور لمیٹڈ یا سیکریٹری بورڈ کے دفتر دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چندریگر روڈ، کراچی کو پرائسی فارم کے ساتھ جمع کروانا ہوگا۔

THE BLUE DOT



Head Office

NBP Building, I.I.Chundrigar
Road, Karachi, Pakistan.



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Phone: +92-21-99062000 (60 lines)



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