

LET'S PULL TOGETHER FOR
GREENER
PAKISTAN



National Bank of Pakistan
نیشنل بینک آف پاکستان

ANNUAL REPORT 2018



A Legacy Of Excellence

Debit Card

Digital Debit

Advance Salary

Digital Banking

Kisan Agriculture

Prepaid Remittance

Aitemaad Auto Finance

Banking Foree Remittance

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Vision

To be a leading bank for partnering in financial growth through innovation and service

Mission

To be a catalyst for economic growth, serving the nation through diversified product offering, innovation, superior service quality, universal banking capabilities, multiple delivery channels, investment in people and processes and work towards sustainable higher returns for stakeholders

Core Values

- People** - We will continue to value our people and will reward performance
- Service** - Our main focus will be on providing superior service quality through diversification and development
- Integrity** - We will not compromise on integrity - zero tolerance for corruption and believe in doing the right thing
- Respect** - We respect our customers' needs, beliefs and values, working towards their benefit
- Excellence** - We will continue to strive for excellence in all that we do







Corporate Information

Board of Directors

Arif Usmani

President & Chief Executive Officer

Muhammad Naeem

Director

A. Akbar Sharifzada

Director

Farid Malik, CFA

Director

Muhammad Imran Malik

Director

Asad Munir

Director

Chief Financial Officer

Abdul Wahid Sethi

Company Secretary

S. M. Ali Zamin

Registered & Head Office

NBP Building

I.I. Chundrigar Road

Karachi.

Registrar & Share Registration Office

Central Depository Co. of Pakistan (CDC),

CDC House, 99-B, Block-S, S.M.C.H.S.,

Main Shahrah-e-Faisal, Karachi, Pakistan

UAN: 111-111-500

Board Committees

Board Risk Committee

Board Audit &
Compliance Committee

Board Strategy &
Development Committee

Board HR & Remuneration
Committee

Board IT Committee

Auditors

Deloitte Yousuf Adil

Chartered Accountants

Grant Thornton Anjum Rahman

Chartered Accountants

Legal Advisors

Mandviwalla & Zafar

Advocates & Legal Consultants

Website

www.nbp.com.pk

Stock Exchange Listing

Pakistan Stock Exchange

Symbol "NBP"

7 Decades of Service & Success

Every success story begins with a humble step. It was 8th November, 1949, when the National Bank of Pakistan came into existence and ever since there has been no looking back. Every year has been a success story in its own right, and this year the Bank celebrates its 69th glorious years of trust, service and contributions towards socio-economic development in the Country. 2019 marks the Bank's 70th year of service to the Nation. The Bank looks forward to 2019 and beyond to be a year full of celebrations, fulfilling promises, realizing dreams, and achieving even bigger goals!

Let us now closely look at the developments that have taken place at the Bank over the seven decades...

- The Bank appointed proficient and dynamic Regional Heads to change the destiny of the Bank and help the economy of the country.
- In 2018, the Bank posted the highest ever revenues in its history. NBP achieved 1 Trillion mark in Advances and Rs. 2 Trillion mark in Deposits, and is growing further.
- Won Bank of the Year Award-2015
- In 2013 with the growing popularity of Islamic Banking, NBP successfully launched its brand 'Aiteenad' Islamic Banking
- NBP made it to Guinness Book of World Record by installing World's highest ATM.
- Reaching the 70th year of this great institution let us renew our dedication to helping the nation secure prosperity and economic opportunity for all. Let us all rejoice in this celebration.

- In 1996, National Discounting Services Ltd was launched as a wholly owned subsidiary of NBP.
- In 1997 the Bank launched a major reorganization programme and offered Golden Handshake Scheme.
- The Bank became a SWIFT member in 1998. The facility provides modern technology to Bank.
- In 1999 the Bank celebrated its Golden Jubilee. By the close of the decade its market share had reached around 22%.

- During this period, there was growth in branch network both at home and abroad.
- The 1970s witnessed the nationalization of Pakistani commercial banks operating in the Country.
- In 1972 the National Bank of Pakistan evolved the Supervised Agricultural Credit Programme, and introduced a new methodology of viable credit for small farmers available at their doorstep.
- On January 1, 1974 National Bank of Pakistan along with 13 other scheduled Pakistani banks was nationalized.

- During 1950s the Bank undertook expansion of branch network.
- First overseas branch established in Jeddah, Saudi Arabia (1950), a branch in London (1953) and another branch in Baghdad (1957).
- The Bank took Government Treasury Operations and established currency chests at various locations. It managed currency chests or sub-chests at 57 of its offices. Deposits which constituted 3.1 percent of total deposits of all Pakistani banks in 1949 had risen to 38 percent by 1952.

2010 onwards.
Staying & Focused
Driven

2000 - 2009...
The Millennium

The 1990s...
Initiatives & Reforms

The 1980s...
New Trends and Alliances

The 1970s...
Restructuring & Growth

The 1960s...
Dawn of Developments

The 1950s...
The Glorious Beginning

- The decade witnessed restructuring programme, where unprofitable and loss making branches were closed or merged. No. of Regions were reduced to 29.
- National Bank of Pakistan went public with IPO of 23.2% shares and listing at all domestic stock exchanges (2001).
- In 2002, the Bank signed agreement with Western Union.
- NBP gained market recognition and received over 30 international awards.

- In 1980s the government announced a three year plan for the implementation of an Islamic Economic System.
- Consolidation and reorganization resulted in closure of 286 branches; from 1,646 branches (1979) to 1,360 branches (1989).
- Overseas expansion continued with opening of representative office in Beijing (1981) and in Seoul, South Korea (1985). The latter was converted into a branch in 1987.

- In 1960s, NBP started the 'School Scheme' to popularize banking and savings habit. This scheme was offered to industrial workers and school & college students.
- Operative in 1,189 schools and deposits raised to Rs. 2.9 million. And by 1969, NBP's "worker scheme" raised the total deposits by factory workers into Rs. 2.84 million and the number of accounts opened had touched

NATURE HAS GIVEN YOU EVERY THING
YOU HAVE GOT UNLIMITED RESOURCES
THE FOUNDATIONS OF YOUR STATE HAVE BEEN LAID
AND IT IS FOR YOU TO BUILD
AND BUILD AS QUICKLY AS WELL AS YOU CAN
SO GO AHEAD AND I WISH YOU GOD SPEED!

QUAID-E-AZAM M.A.JINNAH



Board of Directors

From Left to Right ▶

Mr. A. Akbar Sharifzada
Director

Mr. Muhammad Naeem
Director

Mr. Arif Usmani
President & Chief Executive Officer

Mr. Farid Malik, CFA
Director

Mr. Muhammad Imran Malik
Director

Mr. Asad Munir
Director

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QUAID-E-AZAM M.A.JINNAH



Senior Management

Sitting From left to Right ▶

Shahid Saeed
SEVP & CIO, Information Technology Group

Arif Usmani
President & Chief Executive Officer

Muhammad Ismail Usuf
EVP & Group Head, Treasury & Capital Markets Group

Karim Akram Khan
EVP & Group Head, Logistic Support Group

Nasir Hussain
EVP & Group Head, International Banking Group

Abdul Wahid Sehi
SEVP & CFO, Financial Control Group

Tariq Jamali
SEVP

S.M. Ali Zamin
EVP & Company Secretary

Tariq Zafar Iqbal
EVP & Group Head, Operations Group

Shahzad Ahmed Karimi
SEVP & Principal Staff Officer to the President

Faisal Ahmad Topra
SEVP & President Secretariat

Usman Shahid
SEVP & Group Chief, Credit Management Group

Shaukat Mahmood
EVP & Group Head, Service Quality Group

Muhammad Farooq
EVP & Group Head, Payment Services & Digital Banking Group

Aamir Sattar
SEVP & Group Chief, Audit & Inspection Group

Syed Jamal Baqaur
SEVP & Group Chief, Corporate Banking Group

Azhar Hussain Shah
EVP & Group Head, Human Resources Management Group

Ansar Raza Goraha
EVP & Divisional Head, Learning & Management Development Division

Mufi Muhammad Imran
Resident Shariah Board Member

Rehmat Ali Hasnie
SEVP & Group Chief, Investment Banking Group

Fouad Farrukh
SEVP & Group Chief, Aftemad Islamic Banking Group

Sulhana Ncheed
SEVP & Group Chief, Commercial Retail Banking Group

Muhammad Faraz Haider
SEVP & Group Chief, Compliance Group

Aamir Zareef Khan
EVP & Divisional Head, Legal Division

Saleem Ahmed
EVP & Group Head, Risk Management Group

Sardar Azmat Babar Chohan
EVP & Group Head (Acting), Asset Recovery Group

Shahid Dar
EVP / President Secretariat



Introduction

This Annual Report of the National Bank of Pakistan covers the Bank's performance for the Financial Year ended December 31, 2018.

Layout of the Report

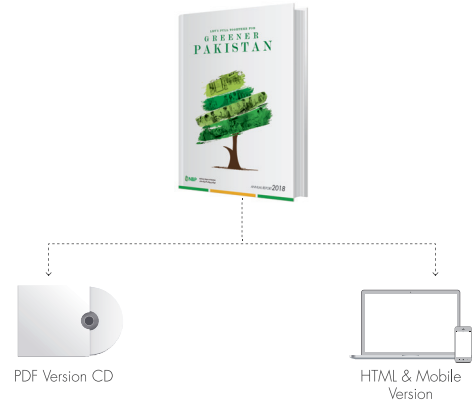
The State Bank of Pakistan, vide BPRD Circular No. 02 of 2018 dated January 25, 2018 directed all the Banks to prepare their annual financial statements on a revised format effective from the accounting year ended 31st December, 2018. For better clarity, understanding and YoY comparison, the related numbers of 2017 and 2016 have been accordingly restated into this Annual Report.

This Annual Report contains two sets of Financial Statements, being the Standalone Financial Statements of the Bank, and the Consolidated Financial Statements depicting consolidated performance of the Group, i.e. including Bank's subsidiaries, associates and a joint venture.

Accessibility

The Annual Report - 2018 is available in three mediums to cater to the differing requirements of readers.

1. A limited number of printed copies have been produced for those who have already requested for the same.
2. Stakeholders can access this Annual Report online at <https://www.nbp.com.pk/InvestorInformation/index.aspx>
3. The report is also available in Digital format (in CD). As allowed by the SECP, this report is dispatched to the Shareholders in digital format.



Other Information about the Bank may also be sought at:

<https://www.nbp.com.pk/BRNTWRK/DomesticBrLocator.aspx>
<https://www.youtube.com/channel/UCclfeuO5V4sCdm0xigzVg>
<https://www.facebook.com/NBPTheNationsBank>
<https://www.instagram.com/nationalbankofpakistan/>

Comments & Queries:

We welcome reader's comments or questions on this Annual Report. Readers may please contact the office of the Company Secretary, the Chief Financial Officer or the Investor Relations Office at email address investor.relations@nbp.com.pk



The Year 2018

PKR 2 Trillion
mark achieved
for Deposits

260 Branches
Solarised during
the year.

Spent PKR 78
Million on CSR
initiatives, 33%
up YoY

Achieved Awards
& Accolades

Largest Lender to
Corporate
Sector

Shareholders
Value increased
by PKR 20
Billion

PKR 1 Trillion
Mark Achieved
for Advances

Net Assets
increased to
PKR 207 Billion

NBP Goes
Digital

23 branches
added to
Islamic Banking
network

Largest Lender
to Farmers

Paid PKR 11.5
Billion as Taxes
to the
Government



Profile of the Bank

Largest Pakistani Bank

The National Bank of Pakistan is the largest public sector commercial bank and second largest bank in Pakistan in terms of Balance Sheet size. With a total asset base of PKR 2.8 Trillion, (USD 20.2 billion) and accounting for ~11% of total industry assets, the Bank has been nominated as a Domestic Systemically Important Bank by the State Bank of Pakistan.

The Bank has a wide local and international outreach through a network of branches and ATMs, subsidiaries, representative offices, agency tie-ups and correspondent banking relationships, etc.

With a success legacy of 70 years, the Bank serves over seven million customers with a staff strength of 15,738 full time employees, and 2,185 outsourced staff hired for performing non-core functions.



Strong Profile

With a moderate risk profile, strong capital base, access to stable funding, healthy liquidity, a strong domestic franchise entrusted by the Nation, the Bank has been rated AAA /A1+, the highest rating for a local bank by both PACRA Credit Rating and JCR-VIS Credit Rating, with a stable outlook.

The Bank is well diversified across its major business segments of commercial & retail banking, corporate/investment banking, treasury and international operations. The Bank's international operations exist in South & Central Asia, Middle East, Western Europe and Americas.

Demonstrating its strong domestic franchise, 83.23% of the total assets is funded by customer deposits. The domestic current and savings account (CASA) ratio was 82.2% at December 2018.

Strong Capitalisation

Total capital adequacy ratio of the Bank as at December 31, 2018 stood at 16.35% with Tier -1 capital ratio at 12.10% as compared to 15.95% and 11.63% respectively as at December 31, 2017. This is comfortably above the minimum requirement of 11.90% and 11.28%, respectively.

Group & Ownership Structure

The Bank has eight subsidiary companies operating in both financial and non-financial sector. The Bank's subsidiaries include a Fund Management company and a securities brokerage house. Operations by the parent company, however, account for the largest share of Group assets and profits.

There are 2,127.5 million issued & outstanding ordinary shareholders of the Bank, of which the Federal Government through State Bank of Pakistan holds 75.2% shareholding. Other major shareholders include Foreign Companies (9%) and Public Sector Companies (4.3%).





Key Financial Indicators

Revenue
PKR 97 Billion

Pre-Provision Profit
PKR 42 Billion

PAT
PKR 20 Billion

RoA
0.8%

RoE
21.8%

CET-1
12.1%

Total Capital Ratio
16.35%

Leverage Ratio
3.42%

Liquidity Coverage
169%

Active Customers
7 Million+

ATMs
1,360+

Branches
1525

Correspondent
Arrangements
700+

Full Time Employees
15,738



Gross Advances
PKR 1.1 Trillion

Net NPL Ratio
0.8%

NPL Coverage Ratio
94.7%

Credit Rating
AAA/ A1+

Net Assets
PKR 206.9 Billion

Total Assets
PKR 2.8 Trillion

Manufactured Capital
(Fixed Assets)
PKR 54 Billion

5Yrs CAGR in Assets
16%

Total Deposit
PKR 2.0 Trillion

FC Deposits Share
13.2%

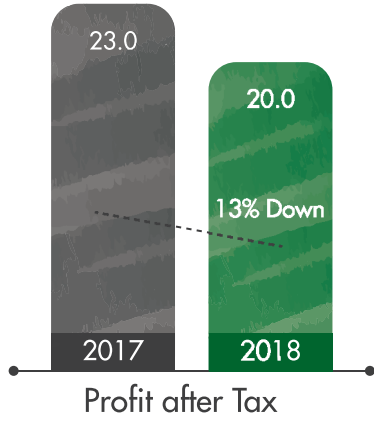
CASA Deposits
81.4%

Net stable Funding
321%



Financial Highlights

(PKR 'Bn)

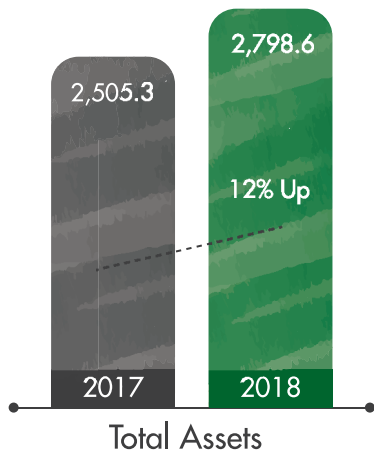


Profit after Tax

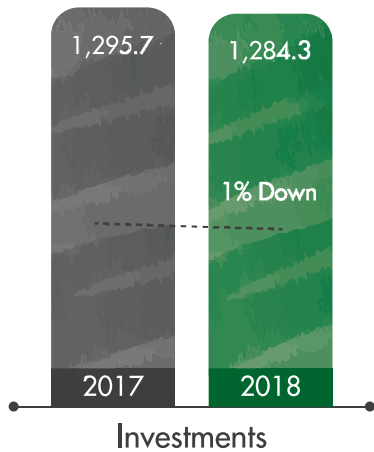
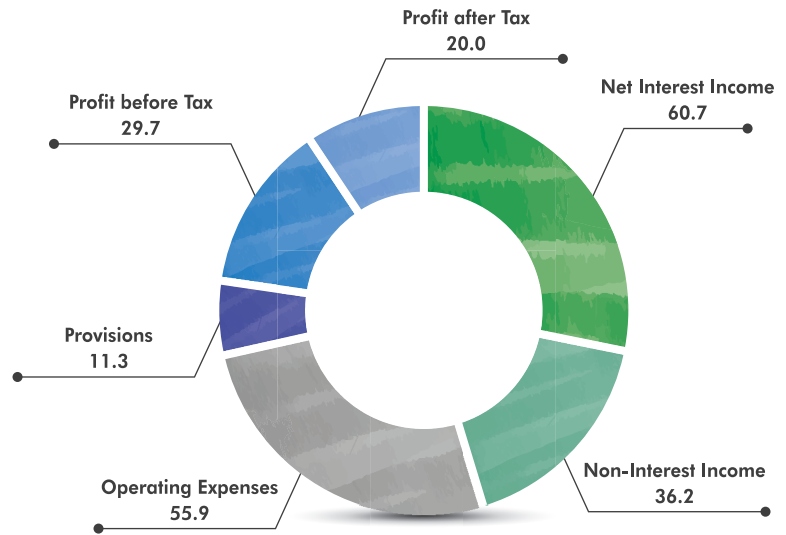
20.0

Total Assets

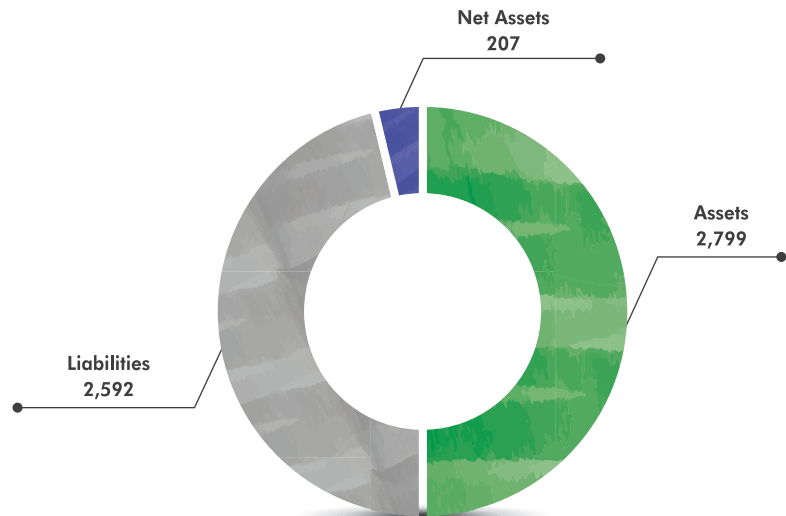
2,798.6



Profit & Loss Account



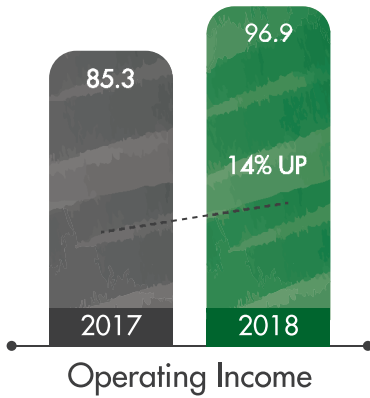
Balance Sheet



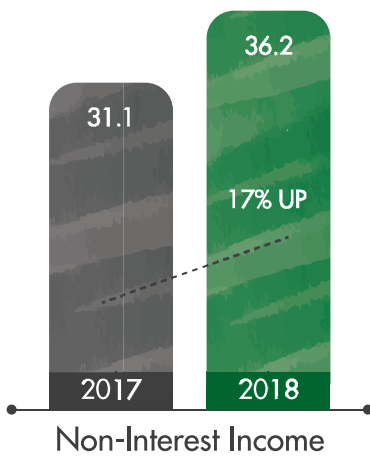
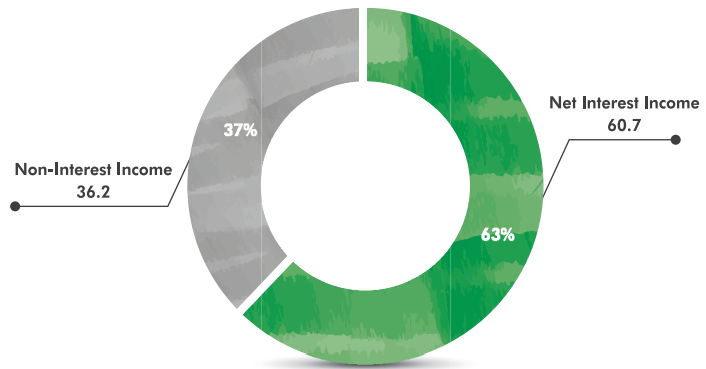


Financial Highlights

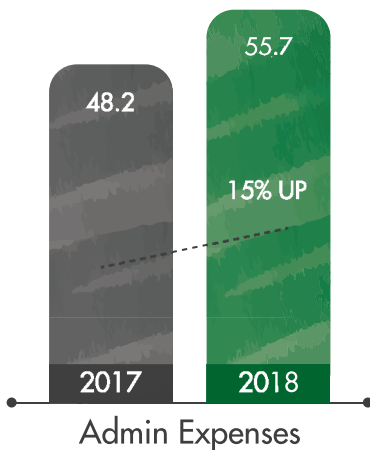
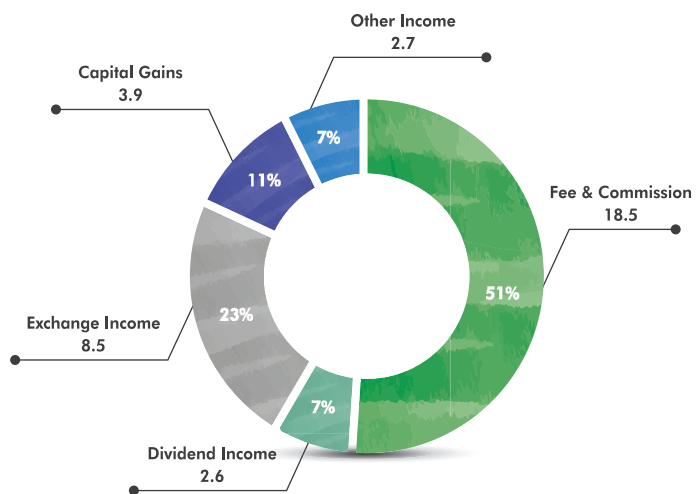
(PKR 'Bn)



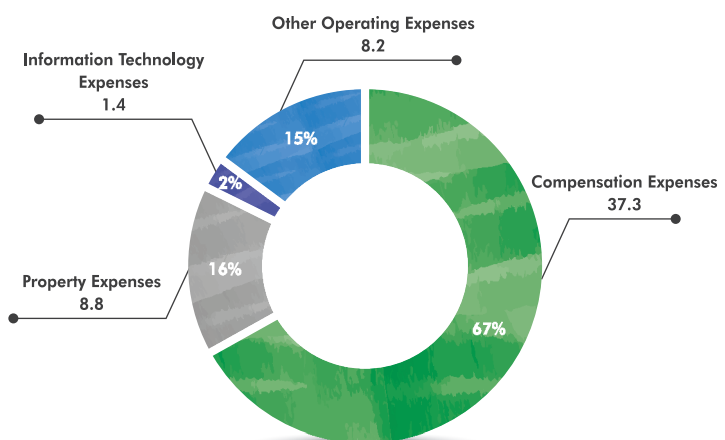
Operating Income



Non-Interest Income



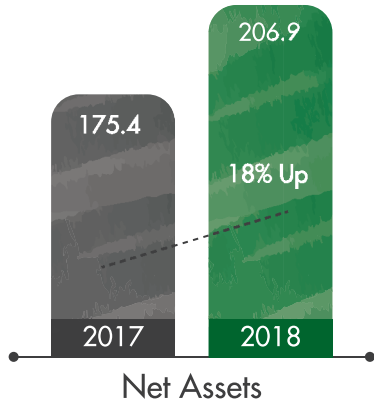
Admin Expenses



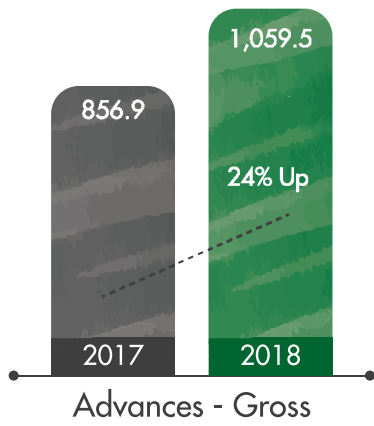
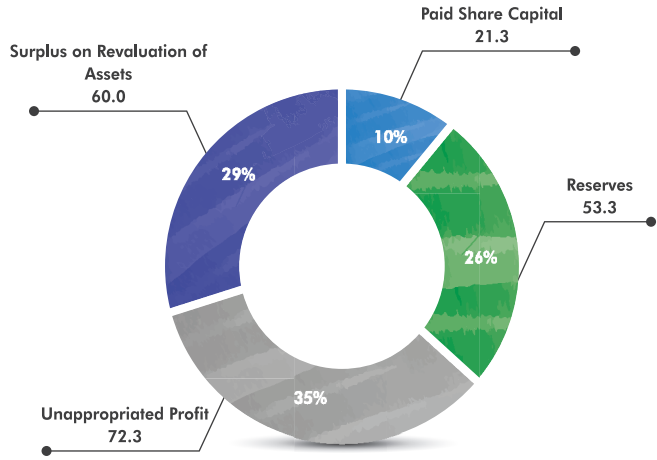


Financial Highlights

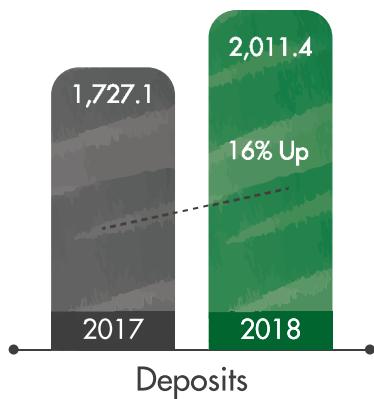
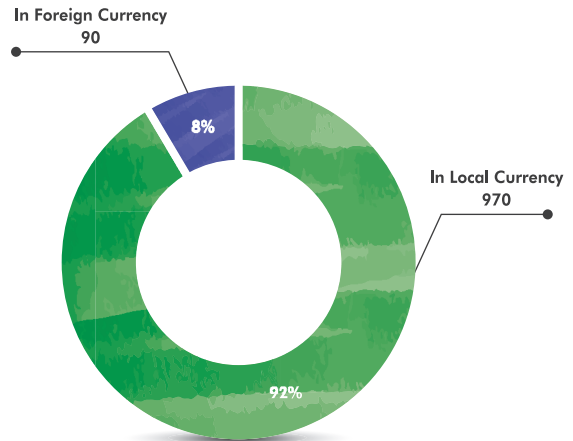
(PKR 'Bn)



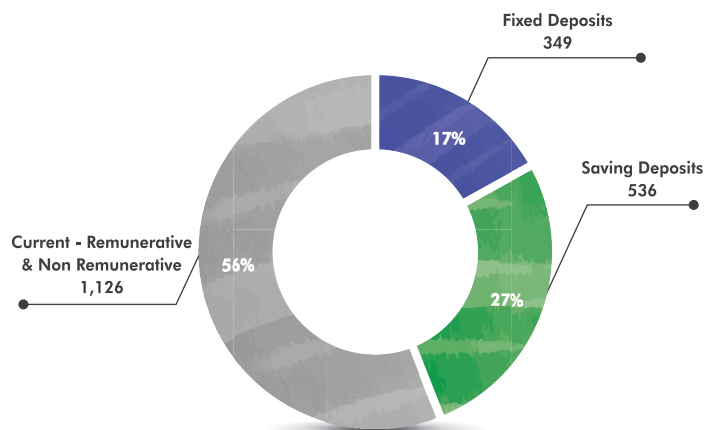
Net Assets



Advances - Gross



Deposits



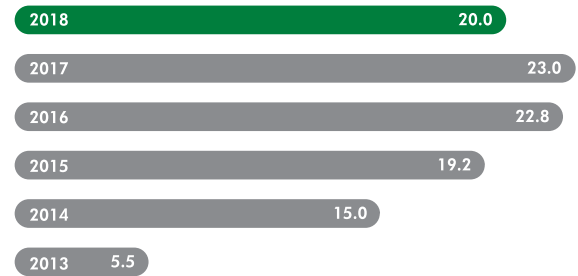


6 Years' Financial Highlights

Pre-Tax Profit (PKR 'Bn)



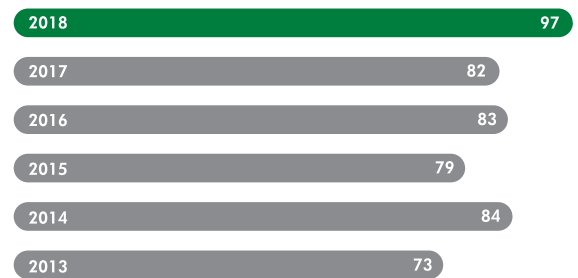
After-Tax Profit (PKR 'Bn)



Earnings per Share (Rs.)



Break-up value of Share (Rs.)



Number of Branches (No.)



Number of Employees (No.)





6 Years' Financial Highlights

Total Assets (PKR 'Bn)

2018	2,799
2017	2,505
2016	2,009
2015	1,706
2014	1,543
2013	1,364

Deposits (PKR 'Bn)

2018	2,011
2017	1,727
2016	1,657
2015	1,431
2014	1,233
2013	1,101

Advances - net (PKR 'Bn)

2018	926
2017	740
2016	667
2015	578
2014	627
2013	615

Investment - net (PKR 'Bn)

2018	1,284
2017	1,296
2016	897
2015	829
2014	562
2013	397

Capital & Reserves (PKR 'Bn)

2018	207
2017	175
2016	177
2015	168
2014	178
2013	156

Capital Adequacy Ratio (%)

2018	16.35
2017	15.95
2016	16.54
2015	17.59
2014	17.39
2013	15.24



Statement Of Value Added

(PKR 'Mn)

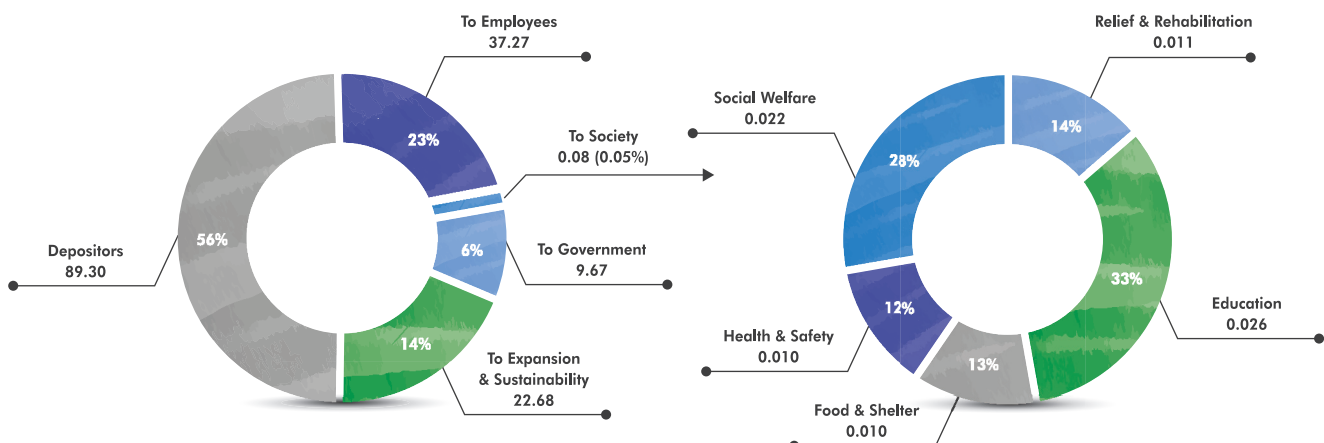
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Value Generated	2018	2017
Mark-up / Interest Income	149,969	123,073
Non Mark-up / Interest Income	36,249	31,066
Operating Expenses (Exc. Staff cost, Depreciation, Amortisation)	(15,916)	(14,347)
Provision against non-performing assets	(11,300)	(1,192)
Total Value Generated	159,001	138,600

Distribution of Value Generated	2018	%	2017	%
To Depositors as profit	89,302	56.2%	68,820	49.7
To Employees:				
Remuneration	31,244	19.7%	26,044	18.8%
Defined Benefit plans	6,026	3.8%	4,999	3.6%
	37,270	23.4%	31,044	22.4%
To Society:				
Donations & CSR	78	0.05%	58	0.04%
To Government:				
Income Tax	9,668	6.1%	12,571	9.1%
To Expansion & Sustainability:				
Depreciation	2,344	1.5%	2,110	1.5%
Amortization	323	0.2%	969	0.7%
Value Retained	20,015	12.6%	23,028	16.6%
	22,683	14.3%	26,107	18.8%
	159,001	100%	138,600	100%

Distribution of Value Generated

(PKR 'Bn)





Key Performance Ratios

		2018	2017 *	2016 *	2015	2014	2013
A. SIZE FACTORS							
1. Total Assets	Rs. Mn	2,798,566	2,505,321	2,008,855	1,706,361	1,543,054	1,364,926
2. Capital & Reserves	"	206,869	175,382	176,733	168,351	178,329	156,287
3. Deposits	"	2,011,385	1,727,102	1,657,312	1,431,037	1,233,525	1,101,139
4. Profit after Tax	"	20,015	23,028	22,752	19,219	15,028	5,500
5. Profit before Tax	"	29,683	35,599	37,141	33,216	22,001	7,078
B. ASSET QUALITY							
6. Total Assets Growth Rate	%	11.70	24.71	17.73	10.58	13.05	4.23
7. NPLs To Total Assets	"	4.77	4.82	5.94	7.46	7.83	8.47
8. Gross Advances to Deposits Ratio	"	52.67	49.62	47.15	48.33	59.02	64.30
9. Net Advances to Deposits Ratio	"	46.04	42.83	40.27	40.40	50.81	55.89
10. Investment to Deposit Ratio	"	63.85	75.02	54.13	57.95	45.54	36.14
11. Assets to Equity	Times	19.05	19.93	16.74	14.71	13.98	13.53
12. Infection Ratio - NPLs/ Gross Advances	%	12.59	14.10	15.28	18.40	16.60	16.33
13. NPL Coverage - Total provision/ NPLs	"	100.08	96.99	95.54	89.35	83.88	80.09
14. NPL Coverage - (specific provision / NPLs)	"	94.68	91.60	91.83	87.02	81.23	77.62
C. CAPITAL ADEQUACY							
15. Tier I Capital	Rs. Mn	124,818	101,303	95,540	91,751	91,758	87,112
16. Total Eligible Capital	"	168,658	138,885	133,167	129,216	135,740	125,514
17. Risk Weighted Assets -RWVA	"	1,031,681	870,989	805,252	734,403	780,719	823,424
18. Tier I to RWVA	%	12.10	11.63	11.86	12.49	11.75	10.58
19. RWVA to total assets	"	36.86	34.77	40.09	43.04	50.60	60.33
20. Capital Adequacy Ratio	"	16.35	15.95	16.54	17.59	17.39	15.24
D. INVESTMENT / MARKET RATIOS							
21. Earnings per Share and Diluted EPS	Rs.	9.41	10.82	10.69	9.03	7.06	2.59
22. Price Earning Ratio	%	4.47	4.49	7.01	5.98	9.84	22.42
23. Market Value per Share	Rs.	42.03	48.56	74.89	54.04	69.46	58.06
24. Dividend per Share	Rs.	-	-	7.5	7.5	5.5	2
E. LIQUIDITY							
25. Net Loans To Total Assets	%	33.09	29.53	33.22	33.87	40.61	45.09
26. Net Loans To Total Deposits	"	46.04	42.83	40.27	40.38	50.81	55.89
27. Net Loans To Total Deposits (Deposits & Borrowings)	"	38.52	35.44	39.21	39.77	49.31	54.78
F. PROFITABILITY							
28. Return on Average Assets - Pre Tax (excl. acceptances)	%	1.16	1.63	2.00	2.04	1.51	0.53
29. Return on Average Equity - Pre Tax	"	21.78	28.98	31.47	29.35	20.83	6.89
30. Operating Profit To Average Assets	"	1.55	1.63	2.02	2.86	2.37	2.05
31. Gross Income To Average Assets	"	3.65	3.78	4.56	5.46	5.24	4.77
32. Non-Interest Income To Gross Income	"	37.40	36.41	35.34	39.44	39.87	40.09
33. Operating Expenses To Gross Income	"	57.71	56.88	55.73	47.57	54.74	56.91
34. Operating Expenses To Average Assets	"	2.11	2.15	2.54	2.60	2.87	2.71
35. Loan Loss Provisioning Expense to Operating Profit	"	27.57	3.24	1.06	28.59	36.19	74.24
G. DuPont Analysis							
36. Net Operating Margin	%	20.65	26.99	26.83	21.67	19.73	8.62
37. Asset Utilization	"	3.78	3.90	4.56	5.46	5.24	4.77
38. Return on Assets - After Tax (excl. acceptances)	"	0.78	1.05	1.22	1.18	1.03	0.41
39. Return on Equity - After Tax	"	14.69	18.74	19.28	16.98	14.23	5.35
RATES							
Exchange Rate	US \$	138.8619	110.4172	104.5985	104.8715	100.4831	105.3246

* Numbers for the year 2017 and 2016 are restated in line with the revised format of financial statements. For rest of the years numbers are as disclosed in prior year.



6 Years' Vertical Analysis

	2018		2017 *		2016 *		2015		2014		2013	
Financial Position	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%
ASSETS												
Cash and balances with treasury banks	247,518	9%	160,090	6%	160,173	8%	150,900	9%	97,972	6%	157,930	12%
Balances with other banks	12,202	0%	26,404	1%	13,828	1%	20,128	1%	12,108	1%	17,458	1%
Lending to financial institutions	106,392	4%	26,916	1%	121,709	6%	7,695	0%	111,789	7%	51,939	4%
Investments - net	1,284,319	46%	1,295,720	52%	897,131	45%	829,246	49%	561,764	36%	397,959	29%
Advances - net	926,007	33%	739,772	30%	667,389	33%	578,122	34%	626,704	41%	615,420	45%
Operating Fixed assets	54,106	2%	32,752	1%	32,901	2%	31,706	2%	31,796	2%	32,702	2%
Deferred tax assets - net	-	0%	7,317	0%	5,136	0%	9,669	1%	9,878	1%	10,955	1%
Other assets	168,022	6%	216,351	9%	110,588	6%	78,895	5%	91,045	6%	80,564	6%
Total assets	2,798,566	100%	2,505,321	100%	2,008,855	100%	1,706,362	100%	1,543,054	100%	1,364,926	100%
LIABILITIES												
Bills payable	9,944	0%	13,195	1%	10,187	1%	9,172	1%	11,012	1%	13,895	1%
Borrowings	392,739	14%	360,106	14%	44,864	2%	21,911	1%	37,541	2%	22,239	2%
Deposits and other accounts	2,011,385	72%	1,727,102	69%	1,657,312	83%	1,431,037	84%	1,233,525	80%	1,101,139	81%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Liabilities against assets subject to Finance Lease	-	0%	15	0%	26	0%	36	0%	13	0%	24	0%
Deferred tax liabilities	6,985	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	170,644	6%	229,522	9%	119,733	6%	75,855	4%	82,634	5%	71,343	5%
Total Liabilities	2,591,698	93%	2,329,939	93%	1,832,122	91%	1,538,010	90%	1,364,725	88%	1,208,639	89%
NET ASSETS	206,869	7%	175,382	7%	176,733	9%	168,351	10%	178,329	12%	156,287	11%
Share capital	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	2%
Reserves	53,274	2%	50,357	2%	46,800	2%	45,581	3%	32,074	2%	31,539	2%
Surplus on revaluation of assets	59,986	2%	49,689	2%	56,718	3%	52,340	3%	67,973	4%	55,427	4%
Unappropriated profit	72,333	3%	54,061	2%	51,939	3%	49,156	3%	57,007	4%	48,046	4%
	206,869	7%	175,382	7%	176,733	9%	168,351	10%	178,329	12%	156,287	11%
Financial Performance												
Markup / Return / Interest earned	149,969	81%	123,073	80%	114,403	79%	113,662	76%	114,174	79%	99,028	79%
Markup / Return / Interest expensed	89,302	48%	68,820	45%	59,578	41%	59,941	40%	68,370	47%	60,823	49%
Net Markup / Interest income	60,666	33%	54,253	35%	54,824	38%	53,721	36%	45,804	32%	38,205	31%
Fee, commission and exchange income	27,017	15%	19,026	12%	17,013	12%	17,043	11%	15,687	11%	15,394	12%
Capital gains & dividend income	6,545	4%	10,301	7%	11,405	8%	15,860	11%	11,103	8%	6,908	6%
Other income	2,687	1%	1,740	1%	1,549	1%	2,081	1%	3,587	2%	3,268	3%
Non interest income	36,249	19%	31,066	20%	29,967	21%	34,983	24%	30,377	21%	25,570	21%
Total income	96,915	52%	85,319	55%	84,791	59%	88,704	60%	76,181	53%	63,774	51%
Operating expenses and other charges	55,931	30%	48,528	31%	47,253	33%	42,193	28%	41,703	29%	36,295	29%
Profit before provisions	40,984	22%	36,791	24%	37,539	26%	46,511	31%	34,478	24%	27,480	22%
Provisions	11,300	6%	1,192	1%	397	0%	13,296	9%	12,478	9%	20,401	16%
Pre-tax profit	29,683	16%	35,599	23%	37,141	26%	33,216	22%	22,001	15%	7,078	6%
Taxation	9,668	5%	12,571	8%	14,389	10%	13,997	9%	6,973	5%	1,578	1%
After-tax profit	20,015	11%	23,028	15%	22,752	16%	19,219	13%	15,028	10%	5,500	4%

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6 Years' Horizontal Analysis

	2018	YoY	2017 *	YoY	2016 *	YoY	2015	YoY	2014	YoY	2013	YoY
	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%
Financial Position												
ASSETS												
Cash and balances with treasury banks	247,518	55%	160,090	0%	160,173	6%	150,900	54%	97,972	-38%	157,930	0%
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Lending to financial institutions	106,392	295%	26,916	-78%	121,709	1482%	7,695	-93%	111,789	115%	51,939	528%
Investments - net	1,284,319	-1%	1,295,720	44%	897,131	8%	829,246	48%	561,764	41%	397,959	16%
Advances - net	926,007	25%	739,772	11%	667,389	15%	578,122	-8%	626,704	2%	615,420	-6%
Operating Fixed assets	54,106	65%	32,752	0%	32,901	4%	31,706	0%	31,796	-3%	32,702	17%
Deferred tax assets - net	-	-100%	7,317	42%	5,136	-47%	9,669	-2%	9,878	-10%	10,955	11%
Other assets	168,022	-22%	216,351	96%	110,588	40%	78,895	-13%	91,045	13%	80,564	5%
Total assets	2,798,566	12%	2,505,321	25%	2,008,855	18%	1,706,361	11%	1,543,054	13%	1,364,926	4%
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Deposits and other accounts	2,011,385	16%	1,727,102	4%	1,657,312	16%	1,431,037	16%	1,233,525	12%	1,101,139	6%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Liabilities against assets subject to Finance Lease	-	-100%	15	-43%	26	-28%	36	181%	13	-47%	24	-19%
Deferred tax liabilities	6,985	100%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	170,644	-26%	229,522	92%	119,733	58%	75,855	-8%	82,634	16%	71,343	6%
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NET ASSETS												
Share capital	21,275	0%	21,275	0%	21,275	0%	21,275	0%	21,275	0%	21,275	15%
Reserves	53,274	6%	50,357	8%	46,800	3%	45,581	42%	32,074	2%	31,539	9%
Surplus on revaluation of assets	59,986	21%	49,689	-12%	56,718	8%	52,340	-23%	67,973	23%	55,427	57%
Unappropriated profit	72,333	34%	54,061	4%	51,939	6%	49,156	-14%	57,007	19%	48,046	-16%
	206,869	18%	175,382	-1%	176,733	5%	168,351	-6%	178,329	14%	156,287	12%
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Profit before provisions	40,984	11%	36,791	-2%	37,539	-19%	46,511	35%	34,478	25%	27,480	-15%
Provision	11,300	848%	1,192	200%	397	-97%	13,296	7%	12,478	-39%	20,401	84%
Pre-tax profit	29,683	-17%	35,599	-4%	37,141	12%	33,216	51%	22,001	211%	7,078	-67%
Taxation	9,668	-23%	12,571	-13%	14,389	3%	13,997	101%	6,973	342%	1,578	-75%
After-tax profit	20,015	-13%	23,028	1%	22,752	18%	19,219	28%	15,028	173%	5,500	-63%

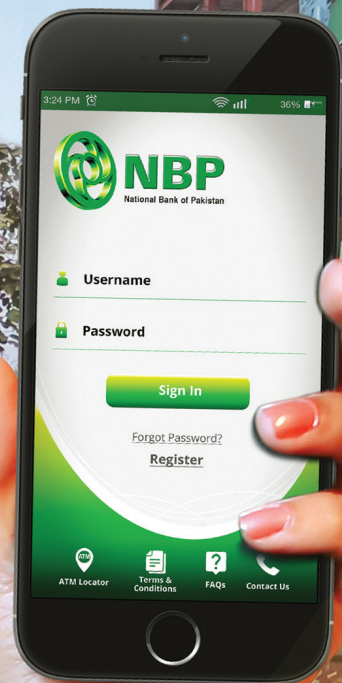
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NBP goes Digital!

Download NBP mobile banking app

The Nation's Bank brings you speedy Digital Banking Services through its Mobile App. Keeping you connected with your banking needs on your fingertips:

- Utility Bill Payment
- Online Shopping
- FBR Tax Payments
- Mobile Bill Payment
- Air Time Top Ups
- Transfer Funds (within NBP / to other Banks)



Download NBP Digital Mobile Banking App





Organisational Overview and External Environment

Our Principal Activities

We are a leading commercial bank, established on November 08, 1949 under the National Bank of Pakistan Ordinance 1949. While the Bank has been entrusted to act as an agent to the State Bank of Pakistan; over the years, the Bank has redefined its role into a modern growth-oriented commercial bank by expanding business network across continents and capturing sizable market share in the capital & equity markets, corporate & investment banking, retail and consumer banking, agricultural financing and treasury services in Pakistan. We have an international presence through our branches and subsidiaries in the Far East, Middle East, South Asia, Central Asia, Europe and North America.

Together, with our local and international subsidiaries, we provide commercial banking services including deposits, bancassurance, corporate loans, investment banking advisory, forex, global remittances, underwriting, asset management, agency services, brokerage, Modaraba and such other banking & financial services. We strive in promoting financial inclusion of the unbanked masses in the Country, creating equal employment opportunities and delivering our responsibilities as a good corporate citizen.

Our Product Universe

The Bank functions in a highly competitive and regulated, but one of the most promising market environment that offers significant growth opportunities. We proactively identify our customers & their banking requirements, which are broadly categorised into four basic categories. Our diversified and comprehensive products & services provide universal banking solutions for all credit and non-credit financial requirements of the customers.

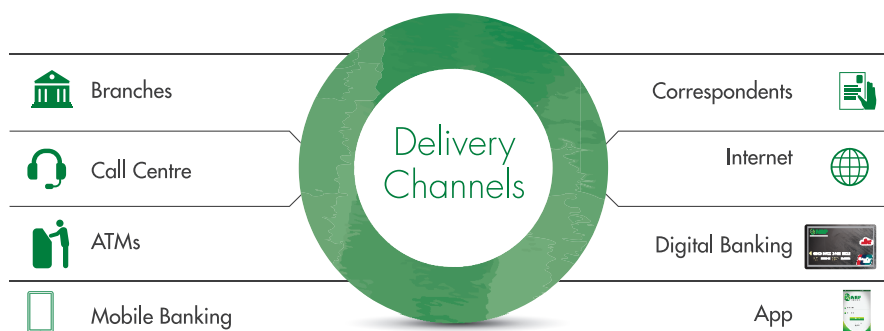
Individuals can benefit from a large array of our products i.e. Debit Cards, safe place to deposit their savings, government employees can obtain financing against their salary, can obtain mortgage finance as a first step towards building a home or can benefit from our home remittance service to receive cross-border funds from their family members abroad.

For businesses, NBP is all there to help entrepreneurs launch a start-up, fund their balance sheet growth, manage payments timely & securely, expand

internationally, manage financial risks effectively, and deal with thousands of business counterparts globally through our branches and representative offices.

	Individuals	SME	Corporates	Financial Institutions	Governments
Deposits and Cash Management	Current and Saving Deposits				
		Access to global trade and exchange markets			
	Global Home Remittances				
	Bancassurance				
	Locker & Safe Deposits				
Financing Personal & Business Needs	Housing & Car Finance		SME Financing		
	Agri. Loans		Commercial Business Loans		
	Advance Salary		Working Capital and Project Finance		
	Gold Loans		Trade Finance		
			Capital Markets		
			Syndicate Finance and Capital Advisory		
	Debit Card		Forex Trade, Fixed Income, Exchange Rate Hedging, Foreign Bill Discounting		
Financial and Business Support	Financial Services under G2P & P2G		Merger & Acquisition, Balance Sheet Reprofiling		

Multi-Channel Outreach

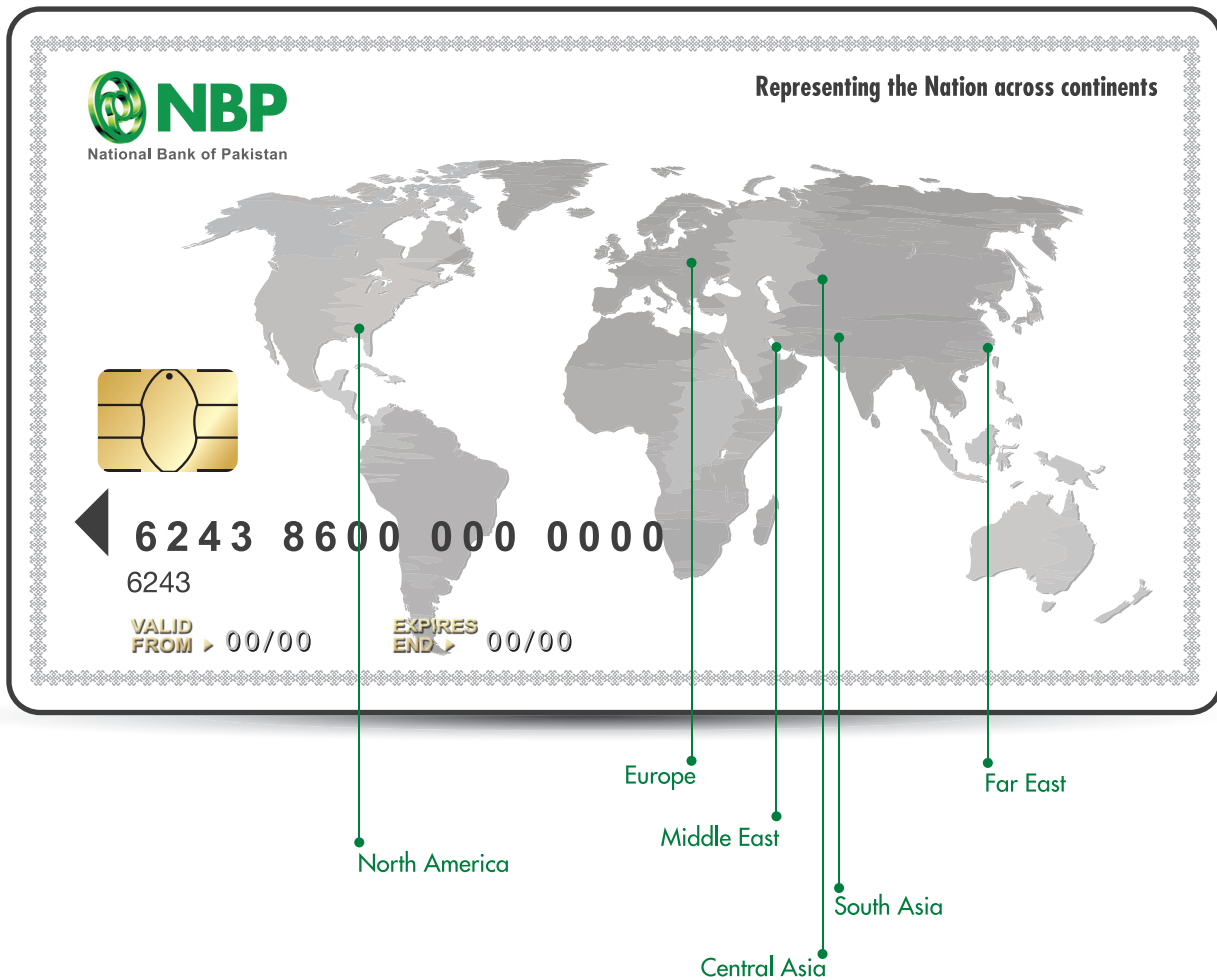




Our Geographical Footprint

The Bank has an unparalleled and one of the largest branch network operating all around the Country, including the most remote rural areas where no other bank operates. Our business operations are based on a geographically diversified, composite & integrated structure whereby the banking and non-banking financial & related services are typically provided by the Bank through its domestic and international branches, subsidiaries and associates. The recent rise of urbanisation and the growing middle class younger population, rapid technological advancement and increasing local & global business connectivity are all driving further growth in both conventional and Islamic banking network.

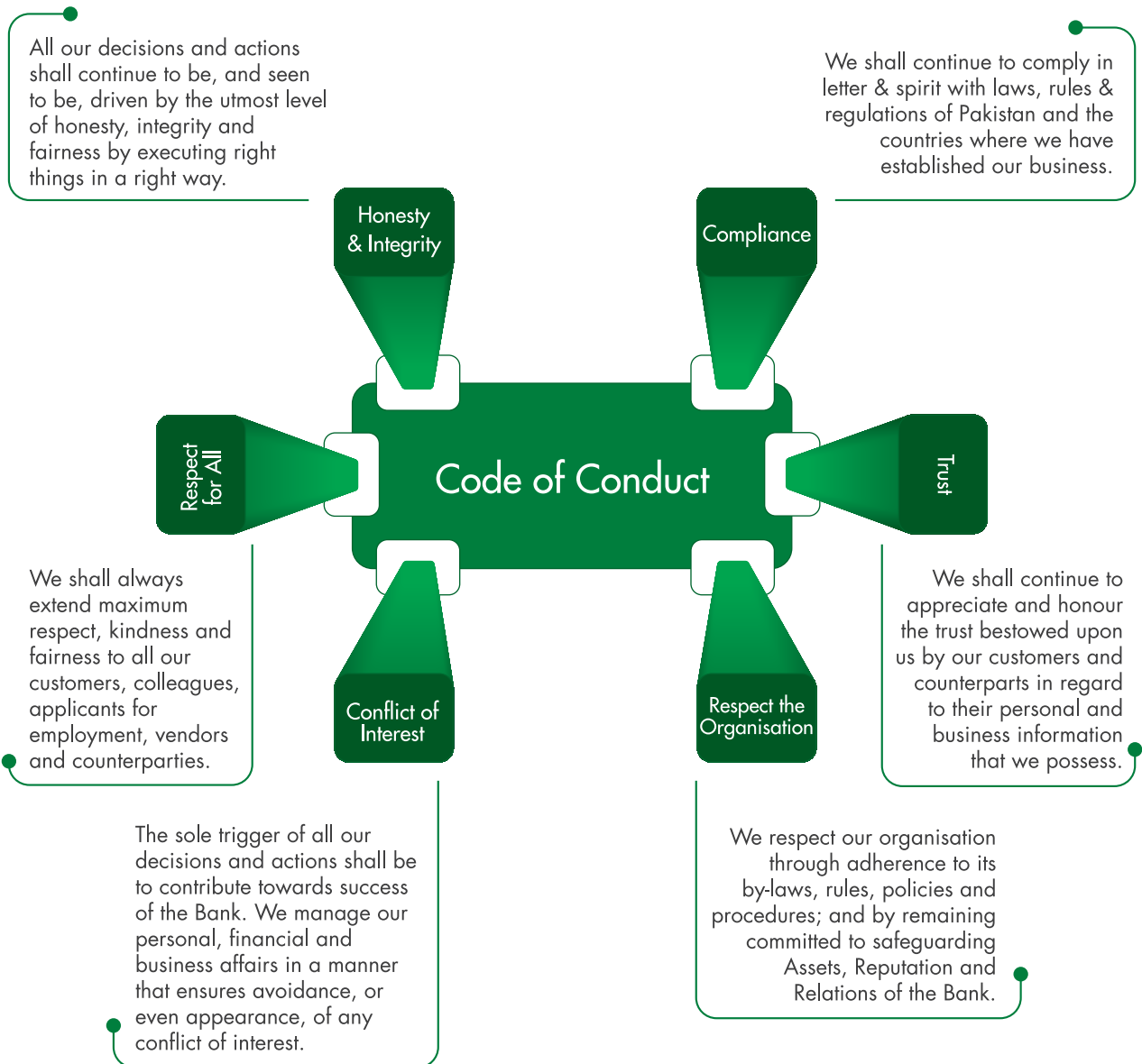
Outside Pakistan, our branches, associates and subsidiaries are located in the following regions:





Our Ethics & Code of Conduct

It is an obligation on us all to be responsible, honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices. Our Code of Conduct reflects our commitments to meet the expectations of our stakeholders and sets the fundamental principles and rules relating to our ethics, conduct, and compliance to ensure integrity. We are committed to conducting our business with honesty and integrity, and expect all our employees to maintain high standards in accordance with this Code that forms an integral part of the terms of employment of all employees.



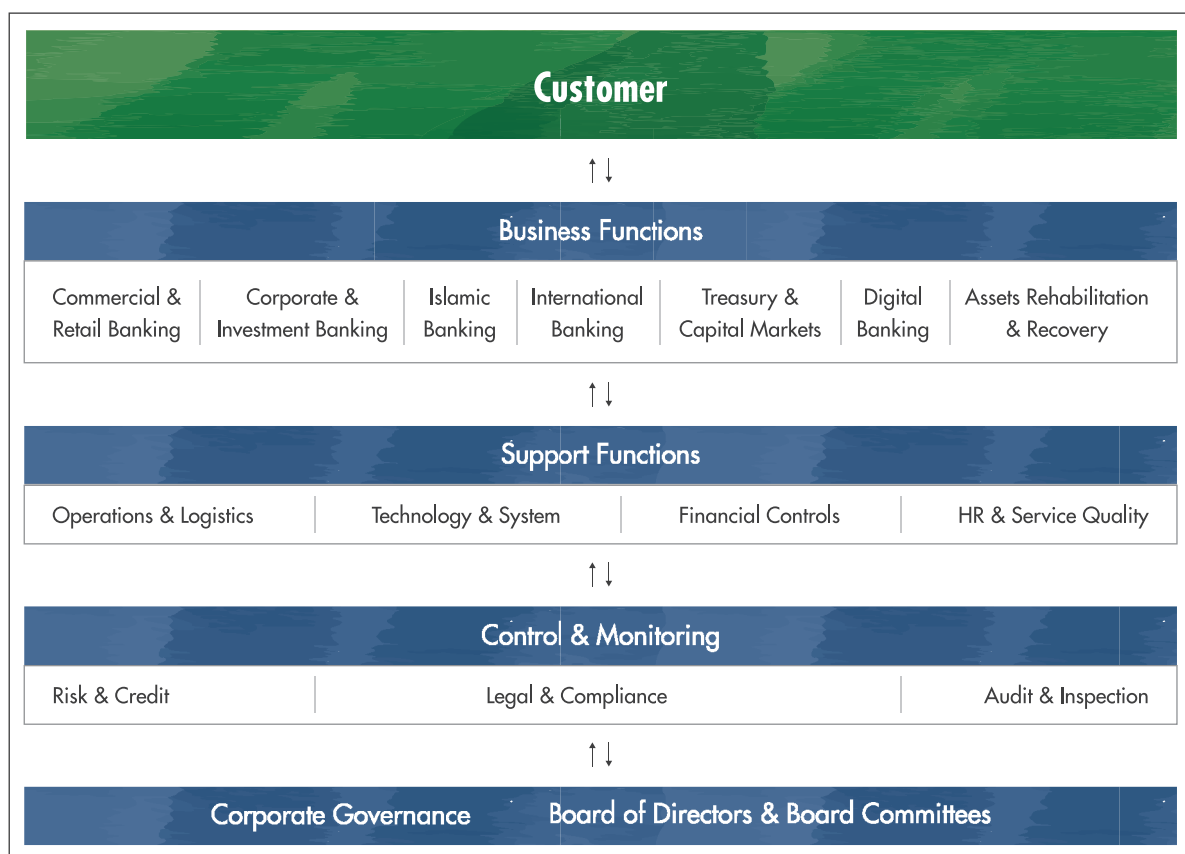


Our Operating Model

The Bank has developed a customer-focused delivery system to provide financial solutions to individuals, small & medium enterprises as well as large corporate and public sector customers. We have organised a dedicated business function for each category of our clientele. Our Head Office control functions provide a supervisory and governance role through policy making and monitoring. The business functions are primarily responsible for making their respective business strategies & plans while ensuring coherence with the overall strategic goals of the Bank. Each business group defines and delivers the customer proposition and is responsible for end-to-end customer processes.

Support functions at Head Office manage adequate logistics & technological support for the business functions for achieving their business targets. The control functions ensure implementation of regulatory as well as internal policy frameworks that set the route for functioning of business groups.

Broadly, our operating model is illustrated below:



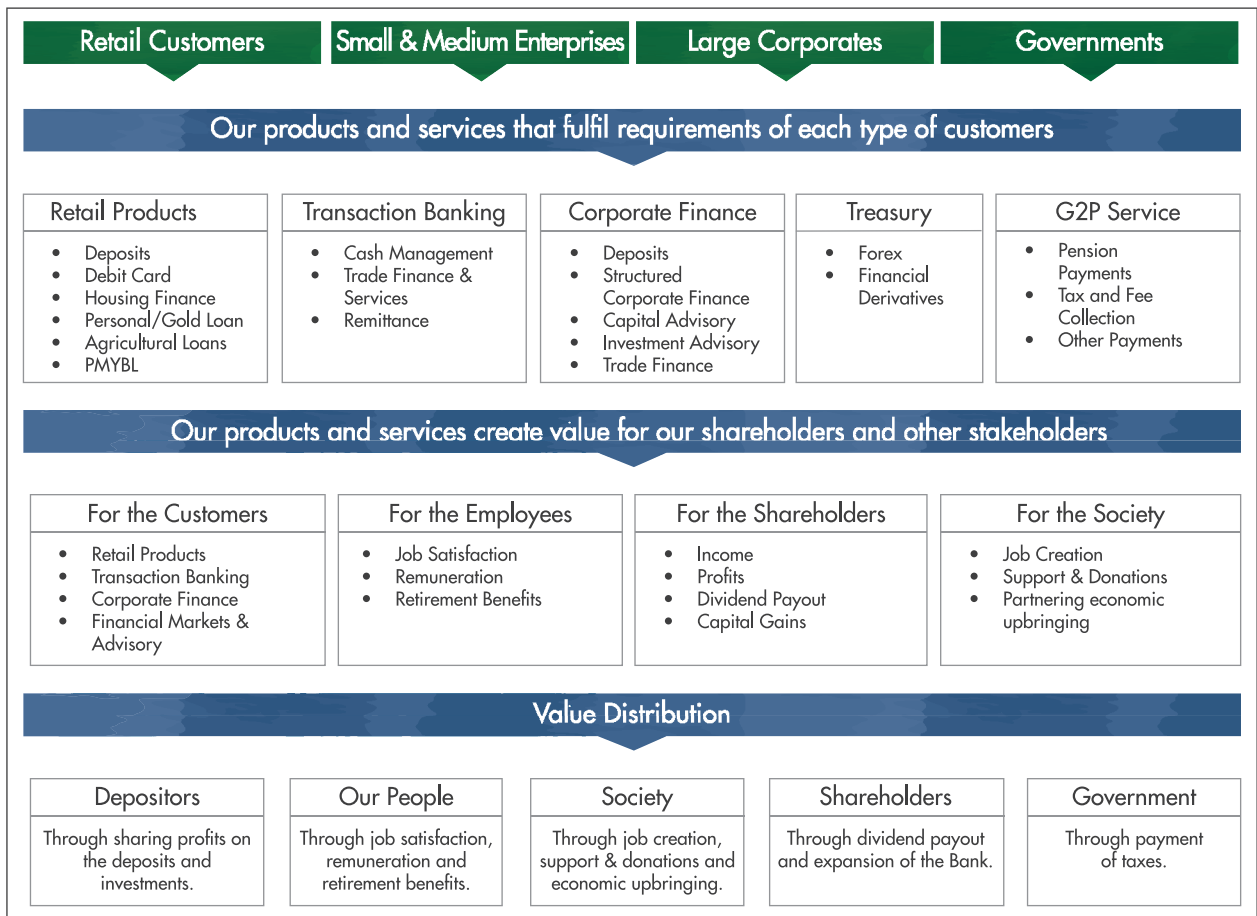
Value Creation at NBP

As a commercial bank, our business & value creation is centred to the basic function of (i) financial intermediation, and (ii) maturity transformation. Financial Intermediation entails that the Bank acts as an intermediary between its various customers e.g. depositors-to-borrowers, importers-to-exporters, remitters-to-beneficiaries, and investors-to-entrepreneurs. Maturity transformation, on the other hand, is an act of borrowing money for short term and invest or lend out at risk premium. These two functions are the key propellers of generating economic value.



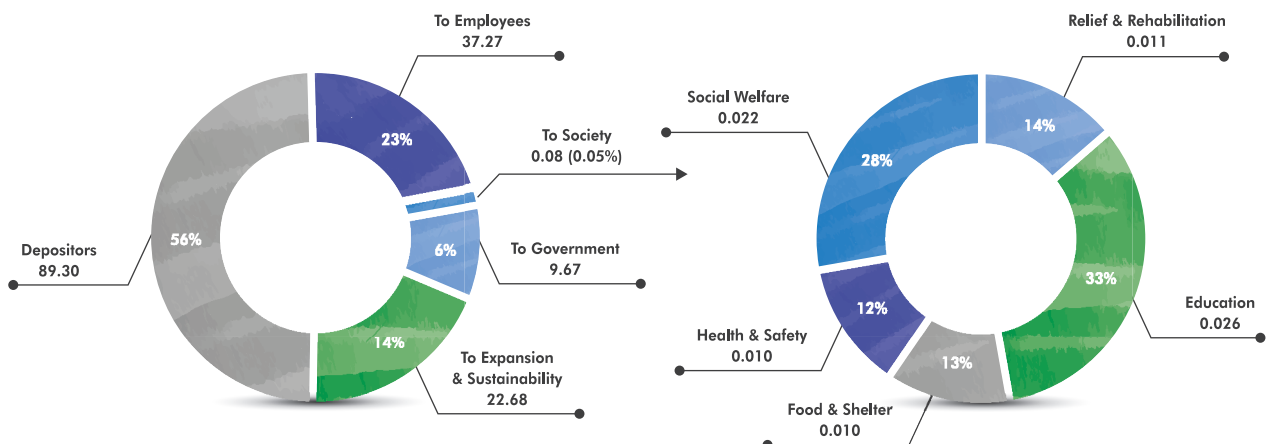
These two strategic functions generate key stream of our incomes being (i) the fund based mark-up/ interest income, and (ii) non-fund fee & commission income. Fund based income is generated through both acting as an intermediary between the depositors and borrowers, and the maturity transformation by short term borrowings under repo arrangements. The interest margin i.e. difference between the lending rate and the borrowing rate, compensates the Bank for the risks it takes. Hence, the Bank's net interest / mark-up income is the residue from the mark-up income generated and the mark-up interest expensed on the deposits, borrowings and other debt obligations. The Bank also earns non-fund based income by way of fee & commission for the services. This year the Bank earned 62.6% of its total revenue by way of mark-up / interest income. Rest of the income was generated through capital gains, dividend income, income from dealing in foreign exchange, etc.

The diagram below depicts our Business Model i.e. (i) the sources of inputs, (ii) the processes deployed, (iii) the value created, and (iv) distribution of the value created. Over the period, the Bank has created value for each class of its stakeholder through profits, access to credit, wealth management, taxes, dividend, preservation of environment and promotion of education, health, sports and culture.



Value Distribution-2018

(PKR 'Bn)





Significant Factors Affecting the External Environment

Factor	Brief Description	Significant Change from last year	NBP's Response
Political	Political conditions & volatility can significantly affect Bank's business and its profitability. A major political unrest would cast an adverse impact on functioning of the Bank.	<ul style="list-style-type: none"> General elections and change of Government. 	The Bank is watchful of prevailing political situation in the country including the changes being introduced in fiscal & economic policies.
Economic	Economic conditions of the country have a significant impact on all businesses that exist in that country. Higher interest costs, high inflation and low economic growth impact organization's performance.	<ul style="list-style-type: none"> Devaluation of PKR Increase in Policy rate Increasing Inflation Reduced PSDP budget by the Govt. 	The Bank maintains well diversified deposits and advances portfolio with no single sector having a major impact or control. However, an overall decline in economic conditions may pose adverse effect on the Bank's financial position & performance.
Social	The Bank has to operate as a socially responsible corporate citizen and has to play its role for socio-economic development of the under-privileged members of the society throughout the Country.	CSR related policies included in the Code of Corporate Governance	The Bank effectively partakes in social activities for betterment of the society, particularly for the under-privileged people. For this purpose, the Bank particularly contributes towards financial inclusion, education, health, sports and skill development.
Technological	Technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry and the banking system is slowly shifting from the traditional banking towards IT based relationship banking.	<ul style="list-style-type: none"> Mobile/ Internet Banking became more common Data security becomes more critical Increasing competition from Telecoms 	We deployed multiple software and IT Infrastructure Projects to ensure delivery of secure controls and protocols for information protection & assurance.
Legal & Regulatory	The Bank operates under a challenging legal and regulatory environment. Any major changes in regulatory frameworks laid by the SBP, SECP, Government, etc.	<ul style="list-style-type: none"> Companies Act, 2017 Finance Act-2018 Changes in IFRSs SBP Regulation on Depositors' Protection Mechanism New Code of Corporate Governance Enhanced Regulatory and Supervisory Requirements for D-SIBs 	The Bank complies with all the laws & regulations enacted by the SBP, SECP, Government and other governing bodies. Our Compliance, Risk, Audit and Legal functions are equipped with adequate resources to keep the Bank compliant with all the regulatory requirements in a timely & meticulous compliance fashion.
Environmental	Banks can play an important role for the protection of environment and transforming the economy into a resource efficient and climate resilient one.	<ul style="list-style-type: none"> Sustainable development Green Banking Initiatives by the SBP 	The Bank has put in place efficient strategies to play its due role for environmental protection. Such initiatives include large scale plantation campaigns, solar powered ATMs and premises lighting, etc. Title page of this Annual Report is in line with Bank's initiatives for environmental protection.



Business Strategy and Resource Allocation

Our strategy evolves around our vision of becoming a leading bank in partnering financial growth through innovation and service. This is what drives us. In pursuance of our Goals, we are operating in a highly competitive and regulated environment with frequent developments relating to technology, stakeholder preferences, unorthodox competition, greater regulations, etc. These developments solicit strategic responses for achieving our vision. Strategic responses for emerging challenge areas are identified in our yearly Strategic Business Plan.

Broadly, strategic objectives of the Bank are categorised as follows:

Short Term: The Banks' short-term objectives include improving its service quality, strengthening its control & compliance functions and achieving operational efficiencies through continued improvement, cost reduction and enrichment of human capital.

Medium Term: Bank endeavours to enhance its market share by expanding its core business, strengthening infrastructure capital by investing into modern-day alternate delivery channels.

Long Term: Building on our short-term and medium-term achievements, the Bank's long term objective & mission is to become a catalyst for economic growth, serving the Nation through strategic alliances, information technology, digitisation and a talented human capital pool.

Our objectives in the short term, medium term and long term are reviewed & aligned every year under the Strategic Business Plan which is unanimously agreed by the management and approved by the Bank's Board of Directors upon recommendations of the Board Strategy & Development Committee. The strategic business plan encapsulates business strategy and action plan of each Group along with desired timelines.

Strategic Priorities

We have outlined a multi-year strategy to build on the core strengths of our business model and recognised client franchise. Our Priority Areas for the year 2018 & 2019 as approved under the Strategic Business Plan included.



Strategy Execution

Planning and execution being two sides of the same coin, execution is equally important for achieving our goals. Hence, the approved strategic goals are communicated to all those who are responsible for their execution at the beginning of the year, defining their path into the future.

During 2018, we made material progress towards achieving our goals as defined at the start of the year. Major achievements in 2018 included:

- We effectively implemented the reorganized field structure of our Commercial, Retail Banking Group enhancing client coverage, improving market share and deriving efficiencies and growth. Our Commercial, Retail deposits and Advances increased during the year by PKR 255.7 billion and PKR 63.9 billion, respectively. Our Corporate loan-book also achieved a growth by PKR 111.5 billion, and is now one of the largest in the Banking industry.





- Our total revenue increased by 13.6% to PKR 96.9 billion. Net profit of PKR 20.0 billion has substantially strengthened our capitalization. Capital Adequacy Ratio of the Bank as at December 31, 2018 stood at 16.35% with Tier - I capital adequacy ratio at 12.10% as compared to 15.95% and 11.63% respectively as at December 31, 2017. This is comfortably above the minimum requirement of 11.90% and 11.28%, respectively.
- We spent PKR 636 million during the year to improve our IT landscape by upgrading IT systems & peripheral.
- Our Service Quality Group is functioning efficiently and striving for improvement in processes to reduce complaint recurrence. During the year we received 47,373 complaints, 93.6% of which were resolved within defined turnaround time.
- We have launched the EMV Debit Card and the Mobile App Facility.
- We deployed various IT systems and Infrastructure for delivery of our products through alternate delivery channels.

Resource Allocation

Since we are committed to enhance stakeholders' value, we have deployed adequate resource to achieve efficient strategy implementation. These resources fall under 6 basic categories of capital, each one of those is briefly discussed below:

Financial Capital

Our financial capital comprises of the funds that we invest in our business and it helps the Bank in acquiring, developing and maintaining other types of capital. NBP, being recently designated as a Systemically Important Bank by the State Bank of Pakistan, complies with the enhanced regulatory and supervisory requirements set by the SBP with relation to capital adequacy.

Regulatory requirement e.g. SBP regulations, IFRS and the Basel framework are having significant impact on management of the Financial Capital as banks are now required to maintain greater capital and liquidity buffers and to take lesser risk. This all is leading to higher costs of capital and lower net interest margins. Once the IFRS-9 is implemented, banks will have to create general loan-loss provisions under the expected credit loss model. We are already in the process of carrying out a study to identify the impact of IFRS-9 on capital adequacy of the Bank.

The Bank's policy is to maintain strong capital base so as to maintain investors, creditors and market confidence and to sustain development of the business. Adequacy of the Bank's financial capital is monitored using, *inter alia*, 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 has devised efficient stress testing scenarios to assess the impact on financial capital of the Bank under Internal Capital Adequacy and Assessment Process (ICAAP).



Key objectives of our Capital Management & Adequacy strategy include:

- Regulatory Compliance
- Meeting internal capital targets which are more stringent than the regulatory requirements
- Maintaining optimum Risk Weighted Assets for profit maximisation
- Achieving Corporate Sustainability; and
- Securing highest credit rating for the Bank.



Despite the increased regulatory requirements, we efficiently managed the financial capital of the Bank which remained comfortably higher than the regulatory requirement throughout and at end of the year 2018, leaving sufficient leeway for achieving the business growth targets as per the Strategic Business Plan.

As of December 31, 2018, total Risk Weighted Assets "RWVA" for the Credit Risk and Market Risk amounted to PKR 795.5 billion and PKR 81.1 billion, respectively as compared to PKR 657.4 billion and PKR 68.9 billion at the end of year 2017. RWA under Operation Risk amounted to PKR 155.3 billion as compared to Rs. 144.7 billion at the end of year 2017. The overall increase in RWVA during 2018 was PKR 160.7 billion, mainly contributed by the loan-book growth.

As a result of our focused strategy execution, we generated healthy profit during the year, further strengthening Capital Adequacy Ratio of the Bank. As of December 31, 2018, the Bank's total eligible Capital amounted to PKR 168.7 billion (2017: PKR 138.9 billion), of which Tier - I Capital amounted to PKR 124.8 billion as against PKR 101.3 billion as of December 31, 2017. Bank's net assets, however, amounted to PKR 206.9 billion as against PKR 175.38 billion as of December 31, 2017.

NBP is the only Bank in Pakistan with credit rating of 'AAA' by both the approved credit rating agencies in Pakistan. In June 2017 M/s JCR-VIS Credit Rating Company again re-affirmed the Bank's standalone rating of "AAA", one of the highest credit rating accorded by the company for any bank in Pakistan. PACRA has also assigned a long-term entity rating of 'AAA' (Triple AAA) and short-term rating of 'A1+' (A-one Plus). This strong credit rating capacitates the Bank to access additional capital in case a requirement arises.

Year 2019 and beyond, we will continue efficiently managing our Financial Capital by realigning our business strategies with the regulatory environments and emerging business opportunities. For capital adequacy ratios of the past 6 years, please refer to Financial Highlights section.

Manufactured Capital

This refers to capital goods i.e. Buildings, IT infrastructures, ATMs, Vehicles, Equipment, etc. built or acquired by the Bank to deliver its products & services. Given the extreme importance of manufactured capital in smooth execution of business activities, value creation and to meet future challenges, the Bank has focused on developing adequate manufactured capital. The Bank is, and will continue to invest in deploying IT infrastructure with the objective of delivering its products & services through alternate delivery channels.

The Bank is maintaining an optimal balance between owned and rented buildings. Further, the Bank is also mindful of the requirement to maintain a healthy work environment within the Bank premises and is continuously investing for modernization of the business premises. We have started a plan to standardize our workplace ambiance & quality. Certain branches and Regional Offices have already been redesigned and renovated as per standardised plan. During the year we added further to our manufactured capital by opening new branches, installing ATM, deploying IT & peripheral equipment, etc. Consequent to the above initiatives the total value of our manufactured capital amounted to PKR 53.9 billion at the end of 2018.

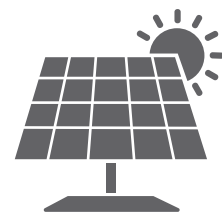
For further details please refer Note 12 of the Financial Statements.



1525
Branches



1350+ ATMs
6 ATM Centres



450
Solarised
Branches





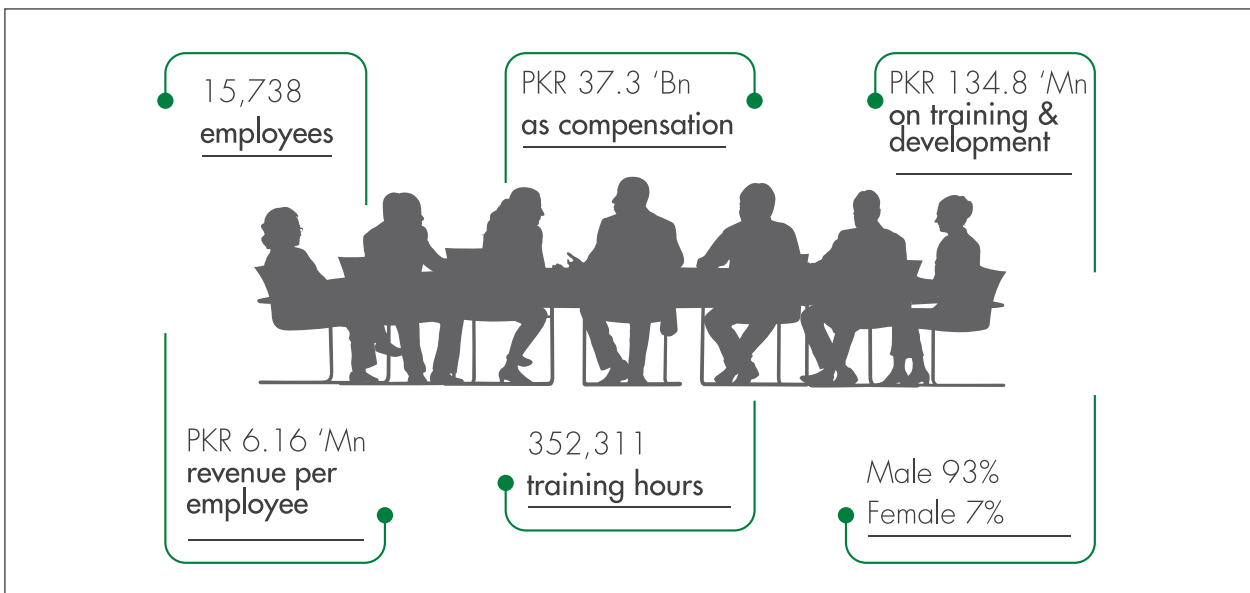
Human Capital

The Bank's most important asset is its human capital. As at 31 December 2018, the Bank had 15,738 people (including permanent and contractual) as its full time employees. Further, the Bank also engages 2,185 (2017: 2,397) personnel of outsourcing services companies for certain non-critical functions. Our human capital pool functions as a team that works coherently to achieve common goals with dignity, dedication, and mutual respect.

Given the utmost importance of the Human Capital of the Bank, the BoD takes responsibility for effective implementation of its HR policies. The Board has formed a Human Resource & Remuneration Committee to review, monitor and make recommendations to the Board on NBP's human resource strategy and policies. While compliance with the HR policy framework is reviewed by the Compliance Group and Audit & Inspection Group, senior management within the Bank is expected to ensure the policies are adhered to and the human rights are upheld at all times. Our employees are also encouraged by the Bank's Whistle-Blowing Policy for reporting of potential violation of policies.

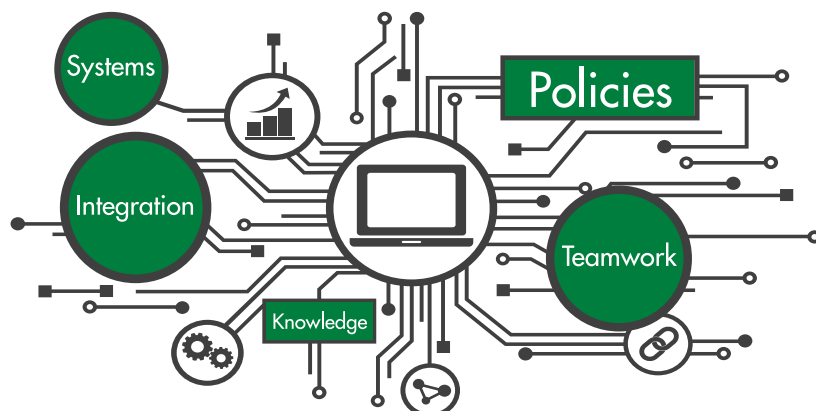
The Bank invests significant amount for maintaining its human capital which is done through talent acquisition, trainings, job rotation and succession planning. The Bank's Learning & Development Management Division constantly arranges both in-house as well as external trainings to keep the staff abreast of latest developments in the field.

The Bank is an equal opportunity provider and our HR policies endeavour to align the goals, skillset & competencies of individual staff with the Bank's overall strategic goals to ensure that everyone gets a level playing field and equal opportunity to a prosperous and meaningful career.



Intellectual Capital

Intellectual capital, being an intangible asset, have zero value on the Bank's balance sheet but positively impacts the performance and success of the Bank. The latest business trends such as digitalisation, unorthodox competition (e.g. telecoms offering financial solutions), increasing middle class population, urbanisation and increasing concerns relating to risk management, compliance & controls are all setting new dimensions for the financial industry at an incredible pace and have challenged the conventional business model.





Intellectual capital equips the Bank with a competitive advantage in maximizing its market share and readiness to meet stakeholder expectations. At NBP, Intellectual Capital includes all intangible assets that contribute towards value creation for the Bank and its stakeholders.

Our intellectual capital includes the brand synonymous, values & conduct, human capital knowledge & skills, systems & processes, software, and the corporate governance. Over the period, the Bank has strengthened & enriched its intellectual capital through continued measures including deployment of various IT systems, effective policy & system development in the area of Credit, Compliance, Investment, Human Resource Management, Related Party Transactions, Fixed Assets Management, Product Development, Risk Management and implementation of ICFR roadmap.

Social & Relationship Capital

The Bank is fully appreciative of the fact that its viability greatly depends on sustainable relationships with each stakeholder group i.e. customers, suppliers and business partners and the wider community are built on mutual trust, loyalty, and shared values. The communities where we operate have expectations of the Bank for their well-being in the same way the Bank has expectations of them towards its growth and sustainability.

We have developed a customer focused business model to offer solutions to each community that has stakes with the Bank. To establish & develop our relationship capital the Bank interacts with its customers and other stakeholders in a number ways including social events, customer complaint handling unit, investor relations office, conventional & social media and widespread branch network. In addition to customer convenience, the Bank also pays special focus towards promoting financial inclusion of the unbanked masses in the country.

The Bank strengthens its social and relationship capital by creating value for its stakeholders customers thereby achieving Bank's strategic goals – namely prudent growth, customer service, operational efficiencies and risk management.

We also invest into & contribute towards growth of our communities through various charity and support activities in the areas of Education, Healthcare, Environment, Sports and promotion of Culture. During the year 2018, the Bank invested PKR 77.7 million into CSR initiatives. Our initiatives were recognized through the awards and accolades won by the Bank. (For further details please refer to CSR Report.)

Natural Capital

This includes natural resources like soil, earth, water and oil, etc. Unlike manufactured resources, most of natural resource are finite and cannot be replenished.

Internally, the Bank has put in place policy guidelines for economical consumption of materials, water and energy in a sustainable manner which also helps the Bank in improving its cost-to-income ratio. While paper continues to be major component of Bank's consumptions of materials, we are encouraging a 'less-paper' environment through promoting Mobil Banking, ATM, E-statement, and distribution of the Annual / Quarterly reports in digital form.

In 2015 the Bank started a programme to solarise its small branches. During this year 260 more branches were powered by solar energy, bringing the total to 451. At these branches, our solar panels generate 585 kWh of power bringing the Bank's total energy load on national grid a bit down. As another measure, we have made it mandatory that only energy-efficient lights e.g. LED are installed at all our premises. In line with directives of the State Bank of Pakistan, the Bank is developing credit policies to promote Green Banking in Pakistan.

- 7+ Million Accounts

- Wide Range of Products & Services

- 750+ Correspondent Arrangements

- PKR 78 Million Invested in CSR

- Green Banking Initiatives

- Solarisation of Branches

- Promoting Technology Based Products & Services

- Promoting Green Concept in work place design



Key performance indicators (KPIs) against strategic objectives and their relevance in the future.

Strategic Objectives	Achievement Area	Achievement Indicator	Relevance
Prudent Balance Sheet Growth	<ul style="list-style-type: none"> - Deposits Mobilisation - Advances 	<p>As of December 31, 2018, total assets of the Bank amounted to PKR 2,798.6 billion, depicting a healthy growth of 11.70% YoY.</p> <p>Deposit mobilization was another area of landmark achievement for us as our deposits crossed PKR 2 Trillion. During the year under review, the Bank's deposits increased by PKR 284.28 billion and amounted to PKR 2,011.39 billion which is 16.46% higher than PKR 1,727.10 billion at the end of year 2017. The current and savings account (CASA-Domestic) Ratio is 82.2% at December 2018 compared to 81.1% at December 31, 2017.</p> <p>In Advances too, we achieved the PKR 1-Trillion mark as our gross advances grew by PKR 202.5 billion or 23.6% to PKR 1,059.5 billion as against PKR 856.9 billion at the close of prior year. Despite a limited growth in loan demand, the Bank's ADR (gross) as at December 2018, stood at 52.7%, up against 49.6% of the last year.</p>	This will remain critically relevant in future.
Sustained Profitability	Highest ever revenue in history of the Bank	For the year 2018, the Bank has earned pre-provision profit of PKR 41.0 billion. This is 11.40% higher against PKR 36.8 billion earned for corresponding year. Profit before-tax for the year amounted to PKR 29.7 billion. There is a decline of PKR 5.9 billion or 16.6% compared to prior year's profit before-tax of PKR 35.6 billion. Reduction in profit before-tax is mainly due to higher provision charge.	This will remain critically relevant in future.
Business Development & Operational Efficiencies	<ul style="list-style-type: none"> Launch of new products Deployment of IT systems 	We efficiently implemented the reorganized Regional set-up, increased delivery channels by opening more branches, launch of Debit Card, launch of low-cost liability products by Aitemaad Islamic, and installing new ATM. We have improved our Information Technology – Systems & Knowledge in the area of Disaster Recovery, SAP Upgrade, E-Remittance, Legal Management System, Fleet Management System Inter-branch Reconciliation Dashboard, centralized account opening and biometric validation system for account opening, etc.. This all will streamline the operating efficiencies, greater regulatory compliance, as well as improving the customer service quality and product/service deployment.	This will remain critically relevant in future.
Capital Adequacy & Strength	CAR	<p>The Bank's eligible Tier-I capital has increased from PKR 105.7 billion as at December 31, 2017 to PKR 124.8 billion as of December 31, 2018. This increase is due to earnings during the year. Also, our eligible Tier-II capital increased by PKR 6.2 billion due to increase in surplus on revaluation of fixed assets.</p> <p>Capital Adequacy Ratio of the Bank as at December 31, 2018 stood at 16.35% with Tier-1 capital adequacy ratio at 12.10% as compared to 15.95% and 11.63% respectively as at December 31, 2017. This is comfortably above the minimum requirement of 11.90% and 11.28%, respectively.</p>	This will remain critically relevant in future.



Liquidity Management

The Bank is subject to certain regulatory requirements to maintain Liquidity Coverage Ratio (LCR), a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon at both the entity and consolidated level. Effective December 31, 2018, the Banks are required to hold, at all times, an adequate stock of High Quality Liquid Assets, such that it maintains a minimum of 100% LCR levels.

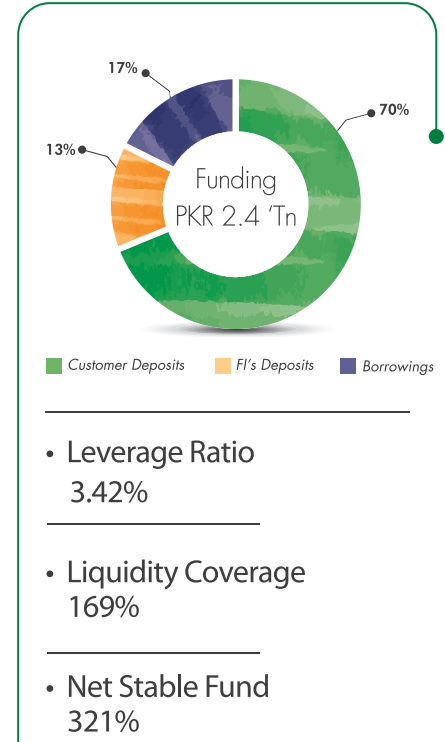
In compliance with the SBP regulations and to instill depositors' confidence & trust into the Bank, we accord as much importance to the funding & liquidity management as we do for managing financial capital of the Bank.

Objectives of Liquidity Management include:

- Meticulous Compliance with the regulatory requirements
- Honouring customer deposit maturities/ withdrawals
- Secure higher Credit Rating
- Optimum deployment of available liquid assets for profit maximisation

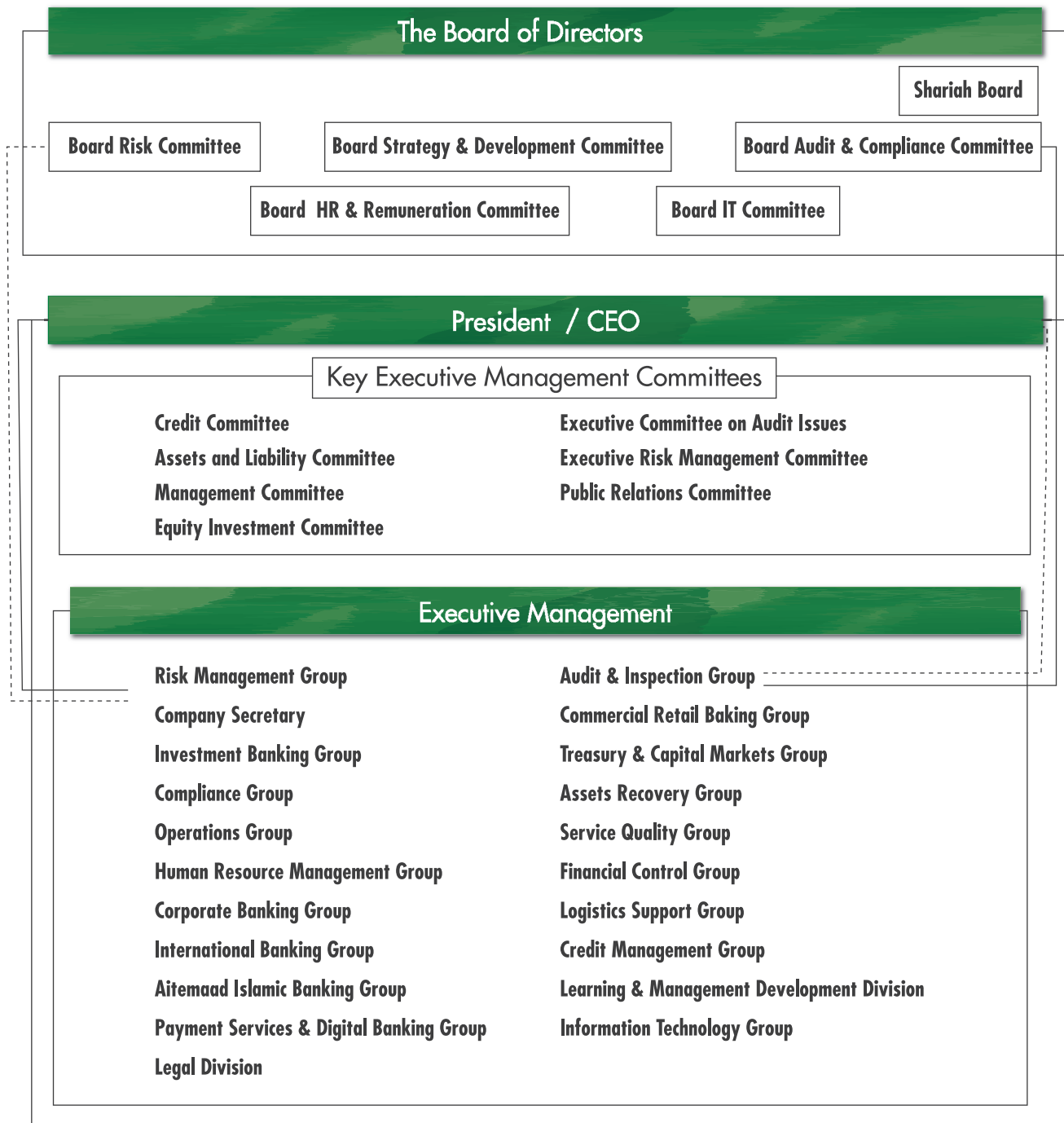
By virtue of our unparalleled market outreach, we have access to a wide range of retail & institutional depositors who are key source of stable funding for the Bank. Relative to the large funding sources, our retail depositors tend to be a better source of stability since a core component therein is likely to remain with the Bank for the medium to long-term. The Bank's deposits come from multiple stable channels.

The Assets and Liabilities Committee of the Bank which meets monthly, actively monitors the funding and liquidity requirements and pricing of assets and liabilities, taking into account liquidity constraints and pricing challenges. The Committee deploys the tools such as compliance with cash reserve requirements, liquid assets ratio, Liquidity Coverage Ratio, advance to deposits ratio, maturity profile of assets and liabilities, sensitivity analysis, etc. for managing its funding and liquidity profile.





Organisation & Management Structure





Corporate Governance

Board of Directors



Mr. Arif Usmani

President & Chief Executive Officer

Mr. Usmani started his career with Citi Pakistan in 1981 in the Corporate Banking Group and since then held a number of positions. He has over 35 years of experience across several geographic markets and areas in various banking disciplines, including a number of critical management positions in the Asia Pacific region. From 1989 to 1994, he was with Saudi Arabia's second largest bank SAMBA in Riyadh where he managed some of the largest borrowing relationships in the region.

In 1994, Mr. Usmani relocated to Singapore and Asia Pacific region, where for five years he held a number of critical positions in different countries including Hong Kong and Singapore. Later, he moved as Citi Country Officer to Slovakia where he is credited with greatly developing the business before taking over as Country Head Citi Nigeria and Regional Head West Africa- the latter role involving management of the Citi Franchises in Nigeria, Cote D'ivoire, Cameroon, Gabon, the Republic of Congo as well as Senegal. In 2003, Mr. Usmani moved back to SAMBA Financial Group as the Chief Risk Officer, in 2008 he joined the Citi franchise in Pakistan as CEO. Mr. Usmani is considered authority on risk management. Mr. Usmani holds a First Class B.Sc (Hons) degree from Imperial College, University of London and is an Associate of the Royal College of Science.



Mr. Muhammad Naeem

Director

Mr. Muhammad Naeem is a Chartered Accountant by profession. He got his college education from F.C. College and Hailey College of Commerce at Lahore. He did his MBA from IBA, Karachi in 1964. He became a Chartered Accountant in 1967 after serving articleship with A.F. Ferguson & Co at Karachi.

He qualified as a CPA from State of California (USA) in 1976. He has been Executive Committee Member and President of Lahore Tax Bar Association. He has been Council Member and Vice President of Institute of Chartered Accountants of Pakistan. He has served as Executive Committee Member and Vice President of Lahore Chamber of Commerce & Industry. He has also served as Honorary Treasurer of Pakistan Cricket Board and Asian Cricket Council. Mr. Naeem has been a Director on the Board of Pakistan Stock Exchange Limited, National Refinery Limited and National Clearing Company of Pakistan Limited. Presently he is Director on the Board of United National Bank Limited (UK).



Mr. Asad Munir

Director

Mr. Asad Munir was appointed as a Director of National Bank of Pakistan by the Government of Pakistan with effect from June 14, 2017. Mr. Asad Munir has a professional & judicial career spanning over 44 years. He has been a practicing lawyer before the High Courts & Supreme Court of Pakistan and possesses vast experience in Civil Laws generally and Commercial, Banking & Labour Laws specially. After graduation from the Government College, Lahore, he obtained his LL.B degree from the Punjab University Law College, Lahore in 1970 and LL.M from the University of London in 1972. He has been a visiting faculty member at the Punjab University Law College, Lahore (1973 to 1980, 1981 to 1983 & 1994 to 2009), Civil Services Academy, Lahore (1981 to 1983 and

1998), Directorate of Income Tax, Lahore (1984 to 1998) and University College, Lahore (1995 to 2009), where he lectured on a variety of subjects including Company Law, Commercial Laws and Labour Laws.

Mr. Asad Munir also has held the position of Administrator, Pakistan Football Federation from August 2015 to February 2018. He has previously served as Deputy Attorney General for Pakistan from 2006 to 2007, Judge Lahore High Court, Lahore from 2009 to 2011, Chairman Punjab Labour Appellate Tribunal, Lahore, from 2012 to 2015. He was Member Syndicate, PMAS-Arid Agriculture University, Rawalpindi from 2009 to 2010 as well as Member Syndicate, Punjab University, Lahore in 2011.



Mr. Muhammad Imran Malik

Director

Muhammad Imran Malik has over 42 years of diversified experience in financial sector comprising of investment banking, development banking and commercial banking with proven track record. During this period he served on various important positions including 19 years as CEO/President. His last assignment was as President of First Credit and Investment Bank (FCIB) for ten years. Prior to that he was associated with National Development Finance Corporation (NDFC) at various senior positions and First Credit and Discount Corporation (FCDC) as CEO/ Managing Director. He also worked at Habib Bank Ltd for four years. During his career, Mr. Malik had regional as well as global exposure too. He lead the South Asian Development Fund (SADF), a SAARC entity entrusted for developing projects of common interest to the member states, as Head of its Secretariat for over two years. He also managed financing activities of Multilateral Fund under Montreal Protocol (MLF). He was on the Management Committee/governing board of ADFIMI (Association of DFLs in Member Countries of IDB), an IDB associate, with head quarters in Istanbul, for six years.

Mr. Malik has been Chairman of Investment Banks Association of Pakistan for three years. Besides, he was member of NBF Sector Reforms Committee, set up by SECP in 2012. He has also been member of Boards of various organizations.

Mr. Malik is an MBA from IBA, Karachi and DAIBP from Institute of Bankers in Pakistan. He got other senior level professional trainings from reputable institutions like Harvard, Euromoney Institute of Finance, in the areas of Finance, EDP and Public Sector Enterprise Policy and Management. Besides, he attended and addressed number of CEO conferences globally.



Mr. Farid Malik, CFA

Director

Mr. Farid Malik has over two decades of diversified experience and has worked on a number of infrastructure development, project finance, corporate finance, capital markets regulatory; administrative and operational assignments both in Pakistan and abroad. He is a CFA charter-holder and a graduate of the London School of Economics.

Mr. Malik has worked with organizations including ABN AMRO Bank; Tomen Power (Singapore) Pte. Ltd; Securities and Exchange Commission of Pakistan; and the Lahore Stock Exchange. During his various assignments, he has had extensive exposure to green-field project based equity investments, limited recourse debt financing facilities, cross border project financing facilities including export credit agencies and multilateral lending agencies financing facilities, risk allocation & management techniques including hedging through derivative instruments, due diligence methodologies, portfolio management, equity and fixed income valuations, financial analysis, asset securitization and capital market operations and regulations.

He has served as the Chief Executive Officer/ Managing Director of LSE Financial Services Limited (formerly Lahore Stock Exchange Limited) and has also served on the Board of Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited. He is a Certified Director from Pakistan Institute of Corporate Governance.

Mr. Malik has previously served on the Boards of the Privatization Commission; the Gujranwala Electric Power Company Limited and the Pakistan Credit Rating Agency Limited. He has also attended a large number of international and local management courses, seminars and workshops conducted by world renowned providers.



Mr. A. Akbar Sharifzada

Director

A. Akbar Sharifzada is on the Board of National Bank of Pakistan since November 17, 2015. He has to his credit 28 years of experience in the Civil Services of Pakistan. He has rich and varied experience of working in different Ministries/Departments. He has been mainly associated with matters pertaining to administration and financial management. He is, at present, working as Additional Secretary in the Ministry of Religious Affairs and Inter-faith Harmony, Islamabad. He holds Master degrees in English Literature and Economics. He also attended a number of courses / workshops / seminars within the country and abroad.

Mr. Sharifzada has been director on the Boards of Equity Participation Fund, Pakistan Security Printing Corporation, SME Bank Limited, Pak-Iran Investment Company Limited, House Building Finance Corporation Limited, Allied Bank of Pakistan, Civil Aviation Authority and Overseas Pakistanis Foundation. Presently he is also Director on the Board of EXIM Bank of Pakistan.



Profile of the Sharia Board

Mufti Ehsan Waqar Ahmad

Mufti Ehsan Waqar Ahmad is the Chairman, Shariah Board at NBP-Aitemaad. Alhamdulillah, he is among the few scholars who possess a unique combination of religious and contemporary education. He graduated as a Mufti, achieving Masters in Traditional Islamic Studies and specializing in Islamic Jurisprudence from Pakistan's renowned Islamic School, Jamiat-ur-Rasheed. Later he accomplished Masters in Economics from KU and Masters in Business Administration with majors in Finance from IoBM. He had also attained LLB Degree from S.M. College, Karachi. This unique blend of educational combination gives him an edge to understand, correlate and align modern day banking practices with Shariah principles.

Mufti Ehsan has exclusively served Islamic Financial Industry and worked with institutions like World Bank-IFC, ABL, Soneri Bank, NAFA, Askari General Insurance Company Takaful Window (AGICO), Emirates Global Islamic Bank now Al Baraka Bank Pakistan, UBL, Yasaar Ltd - UAE & UK, Minhaj Advisory – UAE, Arif Habib for more than a decade now. He has structured several Sukuk including the largest Sukuk in Pakistan; a hundred billion Sukuk for Neelum Jhelum Hydro Power, Engro Polymers, Fatima Fertilizer, Fauji Fertilizer and IBL. Previously he worked on Sitara Peroxide, Sitara Energy, Security Leasing Corporation Limited and National Industrial Parks in Pakistan. Currently, he runs his consulting as "ESAAC". ESAAC offers a complete turnkey solution for Islamic financial institutions, including banks, takaful companies, modarabas and other institution.

Mufti Ehsan had been a member of the Technical Committee for Developing Accounting & Auditing Standard for Islamic Financial Institution at Institute of Chartered Accountants of Pakistan (ICAP) for several years. He has actively worked with SBP and was nominated to several sub-committees formed by the SBP Shariah Board for Islamic Banking matters in Pakistan. Mufti Ehsan conducts courses of Classical Jurisprudence, Islamic Finance and Risk Management at Traditional Islamic Universities (Jamiat-ur-Rasheed) and Modern Business Schools (IoBM). He time to time contributes in different international and local periodicals and appears as an industry expert on local TV channels.

Dr. Mufti Khalil Aazami

Dr. Mufti Khalil Aazami is the Shariah Board Member at NBP-Aitemaad. Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shaha dat-ut-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Hftaa' (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate degree in 'Islamic Jurisprudence' from Karachi University. He has also served as an Advisor/Shari'ah Board Member in different financial institutions including Bank-Alfalah, Faisal Bank, Takaful Pakistan Limited (2005-2014) and Alfalah GHP Islamic Fund (2007-2014).

Dr. Aazami has 18 years of research experience related to Islamic Finance and other Shari'ah related subjects. He is an author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Science. He is involved as Faculty member, –Jamia Darul Uloom, Karachi since 1999 and has been associated with the Centre For Islamic Economics, Karachi, National Institute of Banking and Finance – SBP and Sheikh Zaid Islamic Research Centre – University of Karachi.

Mufti Muhammad Imran

Mufti Muhammad Imran - Resident Shariah Board Member

Mufti Muhammad Imran, working with NBP since May 2016, is a qualified Shariah Scholar and experienced Islamic banker with knowledge of Islamic banking & finance. His educational qualifications include Takhas-us-fil-Fiqh, MIBF & PGD (Islamic Banking & Finance) and M.A (Islamic Studies). He has been associated with different Research, Fatwa and Educational Institutions since 2003 and has over 8 years of banking, Islamic Banking Trainings, Shariah Compliance, review & product development experience.



Functioning of Board Committees

The Board Audit & Compliance Committee (BACC)

Name of Director	Status
Mr. Muhammad Naeem	Chairman
Mr. A. Akbar Sharifzada	Member
Mr. Muhammad Imran Malik	Member

Eight (08) meetings of the Committee were held during the year 2018. Performance and major achievements of the Committee for the year 2018 are summarised as following:

- Ensured existence of an independent internal audit function in the Bank with adequate resources and staffing.
- Reviewed and approved the updated/revised Internal Audit Manual, Shari'ah Audit Manual and Information System Audit Manual.
- Reviewed and recommended the quarterly financial results to the Board of Directors for approval.
- Reviewed the effectiveness of internal controls of the Bank and recommended various steps for strengthening of the internal controls and Compliance culture within the Bank on an ongoing basis.
- Maintained an effective working relationship with the Board and the Bank's management.
- Ensured effective coordination between internal and external auditors.
- Reviewed, discussed and monitored the matters related to improvement in internal audit, compliance plan, financial reporting, corporate governance, compliance with laws and regulations and code of conduct.

The Board HR & Remuneration Committee (BHR&RC)

Name of Director	Status
Mr. Muhammad Naeem	Chairman
Mr. Tariq Jamali	Member
Mr. A. Akbar Sharifzada	Member
Mr. Asad Munir	Member

Eight (08) meetings of the Committee were held during the year 2018. Performance and major achievements of the Committee for the year 2018 are summarised as following:

- The Committee is primarily responsible to review, monitor and make recommendations to the Board of Directors on NBP's human resource strategy and policies pertaining to staffing, Training & Development, Remuneration/Compensation, Succession Planning and other HR related issues.
- The Committee aimed to invest in HR and set sailing on future challenges by taking following initiatives:
 - Enhance employees' motivation level
 - Employees' capacity building
 - Address employees' grievance to reduce litigation
 - Played role in right sizing / staff rationalization
- The Committee guided HR for improvement in organizational structure, employees' training, compensation/benefits and HR overseas operations. The Committee also took keen interest in addressing below core issues:
 - Anomalies related to employees' salary disparity
 - Employees' grievance related to change in Pension formula
- The Committee formulated, reviewed and recommended following HR policies to the Board for approval:
 - NBP Travel Policy
 - Monetization of entitlement vehicles
 - Club Membership Policy
 - RMT Allowance Policy
 - Out of Station Allowance Policy



Board Risk Committee (BRC)

Name of Director	Status
Mr. Muhammad Naeem	Chairman
Mr. Muhammad Imran Malik	Member
Mr. Farid Malik	Member

Three (03) meetings of the Committee were held during the year 2018. Performance and major achievements of the Committee for the year 2018 are summarised as following:

Board Risk Committee (BRC) is an independent committee of Board of Directors that is constituted to have responsibility for oversight function to perform risk management activities. It is responsible to recommend policies for approval by the Board. It ensures strong support/mechanism bank-wide e.g. appropriate systems, tools, techniques, methodologies and risk controls for effective implementation. Committee also reviews recommendations provided by Executive Risk Committee (ERMC) including risk associated limits, capital buffers and new plausible scenarios for onward Board approval and may prescribe preventive / remedial actions to the relevant stakeholders.

Further, BRC plays a vital role in improving the risk culture in NBP through active reviews of ICAAP, Risk Appetite, Stress testing, Credit & Investment portfolio, Risk Management Frameworks / Policies, Operational Risk events and other risk management reports / MIS. Group Head of Risk Management serves as the Committee's secretary.

BRC continuously updates itself on emerging risks through orientation & training programs / workshops and oversees implementation of various remediation plans including but not limited to BPR / COSO project.

Board I.T. Committee

Name of Director	Status
Mr. Tariq Jamali	Chairman
Mr. Muhammad Naeem	Member
Mr. Farid Malik	Member

NBP Board has constituted "Board IT Committee (BITC)" as per guidelines provided by SBP in its Enterprise Technology Governance and Risk Management Framework (ETGRMF) for Financial Institutions and TORs of the Committee has also been approved by the Board.

Board IT Committee (BITC) is a high level steering committee comprising of four (04) members that include Two (02) NBP Board of Directors, NBP's CEO/President and One (01) IT Expert from industry. BITC is responsible for taking IT related strategic decisions and overseeing their execution in the bank's interest. The focus is to develop better priority setting, improved alignment with business objectives and bringing benefits to the bank like business focus, priority, transparency and accountability.

BITC is the governance body for reviewing, monitoring and prioritizing major IT projects from a cross-functional perspective for the bank. The main activities of BITC include IT project prioritization, overseeing project implementation and execution of projects and recommending the projects for approval to BoD.

First (1st) meeting of BITC was held on August 27, 2018 after approval of its Terms of Reference (ToRs) from Board of Directors (BoD) and total three (03) meeting were conducted in 2018 on August 27, 2018, September 10, 2018 and October 19, 2018 respectively. BITC had recommended following three (03) critical initiatives from ITG to BoD to approve financial approval;

1. Upgrade of Enterprise Core Network
2. Revamp, Consolidation and Modernization of Hardware Infrastructure
3. Enterprise Network Monitoring Solution

Furthermore, Agenda paper for initiation of Profile upgrade project was also discussed in the BITC meetings.



Role of the of Board Directors

Good governance is pivotal in helping the business to deliver its strategies whilst generating sustainable shareholder value and balancing competing demands of other stakeholders. It revolves around the basic principles of fairness, integrity, transparency and accountability with prime focus on the role and composition of the board of directors.

The Board has overall responsibility for formulating policies towards management of the business and affairs of the Bank, the establishment of Bank's strategy, and is accountable to shareholders for financial and operational performance. The Board considers strategic issues and ensures the Bank manages risks effectively through approving and monitoring the Bank's risk appetite, considering Bank's stress scenarios and agreed mitigants and identifying longer term strategic threats to the Bank's business operations. The Board's terms of reference includes key aspects of the Bank's affairs reserved for the Board's decision and are reviewed at least annually. There are a number of areas where the Board has delegated specific responsibility to its Committees and management, including the Chief Executive Officer. These include responsibility for the operational management of the Bank's businesses as well as reviewing high level strategic issues and considering risk policies and risk management strategies which in advance are being considered by the Board and/or its Committees. Specific delegated authorities are also in place in relation to business commitments across the Groups. The Chairman leads the Board and ensures the effective engagement and contribution of all executive and non-executive directors. The Chief Executive has responsibility for all Group businesses and acts in accordance with authority delegated by the Board. The non-executive directors combine broad business and commercial experience with independent and objective judgement.

The Chairman is responsible for leadership of the board and to ensure that the board plays an effective role in fulfilling its responsibilities. The Chairman also ensures that:

- Bank's strategies and policies are aligned with its vision & mission and steer the Bank in right direction towards achieving its long-term strategic goals and objectives.
- The overall Board, its individual Members and its Committees discharge their roles efficiently & effectively in line with regulatory requirements.
- Individual members of the Board participate in its meetings and have the opportunity to express their opinion.
- Minutes of the meeting truly reflect what transpired during the meeting and dissent of directors, if any, is properly recorded in the minutes.

Performance Evaluation of the Board

The Board of Directors is keen to ensure that it reevaluates the effectiveness of its performance periodically. In terms of the SBP Guidelines on Performance Evaluation of Board of Directors (BPRD Circular No. 11 dated August 22, 2016), the Board has put in place a formal mechanism for performance evaluation of the overall Board and its Committees. Performance evaluation of the Board and its Committees is carried out every year under third party approach. The Board had appointed M/s KPMG Taseer Hadi & Co. as an independent external consultant to carry out the evaluation. Last evaluation carried out by the external consultant was for the year 2017.

The consultants conduct an independent performance evaluation of the Board and its Committees to encourage better efficacy of the Board performance and compliance with statutory requirements. Their approach towards performance evaluation included review of the minutes, agenda and terms of reference, perception surveys and structured interviews with the senior management and those charged with the Governance. Their report includes an assessment of the Board meeting and interviews conducted with the directors, the role of the Board, the composition of the Board and its Committees and skills and experience of individual directors.

Subsequent to carrying-out the performance evaluation, the issues identified, weaknesses and challenges are addressed adequately through a proper action plan. The Chairman and /or the concerned Board Committee, as the case may be, formulate their respective strategies and action plans to address the identified challenges/issue and submit to the Board for consideration in its meeting.



Management's responsibility towards the preparation and presentation of the financial statements

The accompanying standalone and consolidated financial statements of the Bank are the responsibility of management. As allowed by the SECP vide its circular dated October 04, 2017, these unconsolidated financial statements have been prepared by the management in accordance with the provisions of the Companies Ordinance, 1984 (repealed), and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984 (repealed), the provisions of and directives issued under the Companies Ordinance, 1984 (repealed), and the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan "SBP" and Securities and Exchange Commission of Pakistan "SECP". Wherever the requirements of the Companies Ordinance, 1984 (repealed), the Banking Companies Ordinance, 1962 or directives issued by SBP or SECP differ with the requirements of IFRSs or IFASs, the requirements of the Companies Ordinance 1984 (repealed), the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

I. T. Governance Policy

IT governance is a formal structure that provides a framework for organizations to protect IT investments that support business objectives ensuring the effective and efficient practices of IT in empowering an organization to accomplish its goals. Fundamentally, IT governance delivers a structure for aligning IT strategy with business strategy. By ensuring a formal framework, organizations may yield measurable outcomes toward accomplishing their strategies and goals. In the larger context, IT governance is a fundamental part of overall enterprise governance.

IT Group in the light of SBP's ETGRMF (Enterprise Technology Governance Risk Management Framework) and CobIT 5 has developed an Information Technology Governance Framework which is under approval process. In the context of IT Governance, ITG has already got approved from the Board their strategy for the year 2018-2022 with reviews from BITC and is working aggressively to achieve its target aligning with the strategic business initiatives. In order to achieve the right balance between value delivery and compliance of governance objectives, initiatives taken by ITG include the Development of Project Management Framework, Development of Enterprise Architectural Framework, Development of System Acquisition & Development Framework, Development of IT Service Management Framework and Development of Cyber Security Framework & Action Plan to ensure delivery of secure controls and protocols for information protection & assurance enterprise wide.

The above initiatives will require several automation tools & solutions (Enterprise Core Network for resilient and available networks, Engineered systems for turnkey hardware availability, Endpoint protection for improved security, licensing compliance and other security, proactive monitoring and management solutions for security of data and information across the enterprise with smooth support using service management tools) and are already part of approved ITG strategy and management support being critical to the success of Enterprise Governance is also highlighted and is accessible.

Whistle-Blowing/Speak-Up Policy

Whistle-Blowing covers reporting of incidents of misconduct, involving or affecting an organization to enable the organization to take appropriate action. It is a window to obtain feedback on issues bordering on both corporate governance, as well as reputational risk related issues. This policy consists of responsible and effective procedures for disclosure or reporting of misconduct and impropriety seen by any employee, vendor or any stake holder within the country or in our overseas operations. In case of reporting any incident, it will enable the Bank to take appropriate remedial action, if the concerns or complaints are deemed legitimate.

Protection to a Whistle Blower

By setting up the necessary procedures safeguarding confidentiality and offering anonymity, the interests of the whistle blower are protected from possible harassment or victimization by those accused of misconduct. Any person who makes a disclosure or raises a concern under this program will be protected if the person:

- Discloses the information in good faith
- Believes it to be substantially true
- Does not act maliciously or make false allegations, and
- Does not seek any personal or financial gain.



Human Resource Management

HRM Group, with a vision to add value to human capital, organizational effectiveness and sustaining a viable business, took several initiatives during the year 2018 and prioritized these in its five years strategic plan. People, who come at the heart of NBP core values, remain the foundation stone of HR policies while following principles of control, consistency and fairness. To strengthen key HR functions within organization, HRM Group has taken various steps like improving employees' motivation levels, merit based promotions, desired changes in Annual Performance Appraisal System, market based compensation and desires to eliminate salary disparities. Further HRM Group has taken following major initiatives:

- **Succession Planning:** This process is part of HRM Group's focus on Talent Management which aims to identify key roles and mapping out ways to ensure that bank has the right human resource with the right skills, capabilities, and experiences, at the right place at the right time. Succession planning is imperative for continuity of organizational objectives and smooth functioning of core activities.
- **Capacity Building:** A bank wide capacity building program is initiated through training and mentoring for cross skills development. The program aims to reduce external hiring by equipping existing human resource with professional skills to meet the present and future market challenges.
- **Employees' Engagement:** The initiative aims to improve employee motivation and service quality standards through employee engagement/communication program.

Brief on Complaint Handling Mechanism

Service Quality Group is responsible for Complaint Management at NBP. The passion for excellence has transformed our ability to solve customers' problems and deliver innovative solutions in a timely manner. Customers' feedback is vital in understanding their needs, devising innovative solutions and continuous improvement in service quality. We ensure that;

- All Complaints are treated fairly.
- All Complaints are resolved within shortest possible time.
- Complaint handling mechanism is visible and accessible.
- All Complaints are handled with impartiality and transparency.
- Customers have access to channels for lodging complaints with the bank.

- 47,373 Complaints managed successfully.
- 93.6% complaints resolved within defined TAT

NBP has a robust mechanism in place for handling complaints. Customers have complete access to register their complaints 24/7 through the helpline, e-Complaint (on Website), email, letter, etc. All complaints received are logged into a centralized Complaint Management called "The CRM".

A routing mechanism for handling of complaints is also integrated in CRM to manage effective and timely resolution. Further the Bank is continuously striving for improvement in processes to avoid recurrence of instances, also escalation mechanism helps to rectify issues on fast pace.

No. of complaints received and average time taken to resolve those complaints in the year.

- Complaint volume of 47,373 managed successfully.
- 93.6% complaints were resolved within defined TATs.
- Average complaint resolution time stood at 8.03 days.



Business Continuity Plan

The Bank is determined to ensure continuity of its business function as a measure to enhance stakeholders' value, mitigate associated risks, safeguard revenues and sustain its relations with the shareholders, financial communities, business counterparts, customers and regulators. The Board is appreciative that effective & robust Business Continuity measures are extremely critical for achieving strategic goals of the Bank. Accordingly, development, implementation and maintenance of an effective business continuity plan is an integral part of our operating model. To deliver our business commitments and to remain compliant with the regulatory requirements when confronted with significant business disruption, our infrastructural architecture includes a Business Continuity Plan which is managed at strategic, tactical and operational level. Our alternate processing site is established at a location other than Head Office to ensure continuity of critical activities in case of a disaster. The plan was initially prepared in consultation with an external consultant in line with the regulatory requirement, and now the Board of Directors reviews the Business Continuity Plan in a frequent manner to ensure that the plan clearly defines roles & responsibilities of both individuals and teams for disaster response, recovery, resumption and restoration of twenty-one critical applications in case of failure/ disaster at Head Office/Primary site.

Investors' Relations Management

Our website contains the Investors' Relations chapter for providing related information to the shareholders and other stakeholders (<https://www.nbp.com.pk/InvestorRelations/index.aspx>).

Maximising shareholders' value is on top of our mission. We aspire to strengthen our corporate image and instill investors' confidence in NBP by implementing business-like approach for communicating material financial information to the shareholders and other stakeholders in a transparent manner. We are determined to resolve our shareholders' concerns, and to discharge our obligation of providing material information about the financial position & performance of the Bank, its subsidiaries, joint venture and associates within statutory timelines. Bank's Investor Relations Office extends an efficient avenue to the shareholders to resolve their concerns. The IR Office frequently interacts with the analysts, fund managers, etc. Shareholders can contact at investor.relations@nbp.com.pk. In case of grievances unaddressed, the shareholders may also approach Bank's share registrar M/s CDC Company of Pakistan Ltd.

Way Forward

Going forward NBP shall continue to focus on its capacity building both in terms of its I.T. infrastructure as well as HR capital. We will expand both organically as well as strategically through alliances and integration. The bank has a detailed I.T. road map that includes upgradation of its core banking, connectivity, data center as well as integrated new platform to provide new digital banking products and services. Internal training and courses are being revamped for capacity building and e-learning module have been created to increase knowledge and awareness specially in case of new regulations and policies. With new branches planned for new upcoming commercial and residential areas in the country we remain committed to Pakistan's rural population and share the national strategy of financial inclusion. We are working to improve our service benchmarks and turnaround time. In Business development 'New to Bank' customers remain our priority.

Service quality culture is being inculcated in the branches through training and motivation. We are committed to further strengthen our controls and compliance mechanism by adopting new technologies and are well aware of importance of customer due diligence process. We have plans to introduce further new products and new variants of existing products and would like to expand in new markets primarily through digital platform. Automation and better expense management are main ingredients of our future strategy. We are also committed to social causes including health, education, women empowerment, sports and green drive and we will continue to contribute towards these causes for the betterment and social uplift of our country.

We would like to modernize our outlook and services but remain committed to our traditional values of Service, Integrity and Excellence.





Risk Management

Risk Management Group (RMG) is proactive in making strategy to plan, lead, organize, and mitigate different types of risks which are faced by the Bank. Risk Management entails systematic process of risk identifying, assessing & measuring, controlling, and monitoring.

RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board Risk Committee (BRC). Its efforts are to have a focused approach to cater to all material risks that the Bank may be exposed to. These risks are mainly categorized as: Credit risk, which is managed through a well-defined credit architecture including but not limited to tools / models development and assessment through frameworks. Market & Liquidity risk, which is managed through market risk management framework and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). Operational risk is well-managed through operational risk management framework including tools of RCSA, KRIs & Loss Data management, Operational Risk Strategy, and Operational Risk Tolerance Limits of the Bank. Apart from above-mentioned risks, the Pillar-II risks, and overall integration of risk management in the Bank come under the ambit of Enterprise Risk which is being managed accordingly.

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

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

Our Approach towards Risk Management

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

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

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

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

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

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

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



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

Risk Governance Structure

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

Board Risk Committee (BRC)	Executive Risk Management Committee (ERM)	Risk Management Group (RMG)
BRC is an independent committee of the Board of Directors which plays a vital role in improving the risk culture in NBP through active reviews of ICAAP, Risk Appetite, Stress testing, Credit & Investment portfolio, Risk Management Frameworks / Policies, Operational Risk events and other risk management reports / MIS. Group Head of Risk Management serves as the Committee's secretary.	ERM is a senior management body mainly covering risks from an overall perspective of strategy, policy / framework development, assessment measurement tools, MIS framework and Basel framework implementation, whereas routine aspects in relation to such risks shall be managed by the RMG. ERM has representation from various business and support groups.	Risk Management Group exists as an independent group, i.e. separate from approvals, reporting directly to the President with a dotted line reporting to the BRC. The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodology and other functions assigned from time to time in line with local / international best practices and under the supervision of SBP's regulations / guidelines.

Risk Management Framework Implementation

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

The First Line of Defence: Business groups, jointly with the Credit Management Group have a primary responsibility for identifying, measuring, monitoring and controlling the risks within their areas of accountability. They are required to implement effective procedures and controls to ensure compliance with the related policy requirements, to maintain appropriate risk management skills and to act within defined parameters as set and approved by the Board.

The Second Line of Defence: Board Risk Committees, Risk Management Group and the Compliance Group perform the integrated functions of oversight and independent challenge to the effectiveness of risk management actions taken by business groups.

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



Stakeholders Relationship Management

The Bank's stakeholders include the individuals or groups that are significantly impacted by our functioning, products, activities and services. In reciprocity, their actions and behaviour also have a meaningful impact on Bank's ability of strategy execution, value creation, and to smoothly perform its routine functions.

Broadly, our stakeholders are classified into following categories:

- Customers
- Shareholders, Investors and Analysts
- Business Partners
- The Government and Regulators
- Employees and Employee Bodies
- Community and Environment

The Bank endeavours to promote regular engagement with each category of our stakeholders. There are formal SoPs in place for engaging with each category of stakeholder as responsibility for such engagement is shared across the organisation at every stakeholder touch point.

	Stakes & Interests	Mode & Activity for Engagement	Frequency	
Stakeholders	Customers	<ul style="list-style-type: none"> • Customer Service, Security and Privacy • Fair Treatment & Service Quality • Financial Inclusion • Convenience & Affordability of Products • Grievance Handling Mechanism • Financial Education and Literacy 	<ul style="list-style-type: none"> • Visits by Relationship Managers • Complain Management Center • Branch Managers • Call Centres • Bank's Website • Media Advertisements • SMS alerts 	As required 24/7 As required 24/7 24/7 As required As required
	Shareholders and Analysts	<ul style="list-style-type: none"> • Financial Position & Performance • Corporate Governance • Transparency & Disclosure • Business Strategy & Growth • Risk Management • Organisational Sustainability 	<ul style="list-style-type: none"> • Annual Reports / AGM • Quarterly Financial Statement • Extraordinary General Meetings • Corporate / Analyst Briefing • Investor Relations Office • Analyst Discussions / Calls • Press Release / Announcement to PSX 	Annual Quarterly As Required At least Annual As required As required As required
	Business Counterparts	<ul style="list-style-type: none"> • Contractual Performance • Business Prospects & Growth • Ease of doing business • Timely payment of Bills • Ease of working 	<ul style="list-style-type: none"> • Visits • Briefings • Media Advertisements • Bank's Website 	As required
	Regulators	<ul style="list-style-type: none"> • Regulatory Compliance • Network Expansion & Growth • Microfinance and SME development • Consolidation of the financial sector 	<ul style="list-style-type: none"> • On-site Monitoring / Periodic Returns • Regulatory Directives and Circulars • Meetings and Briefings • Announcements / Press Releases • Consultation on draft Regulations 	As specified
	Employees	<ul style="list-style-type: none"> • Performance and reward management • Training and development • Career advancement opportunities • Work-life balance • Retirement benefit plans • Perception of a prosperous future for the Bank. 	<ul style="list-style-type: none"> • Groups' Off-site Conferences • Town hall Meetings • Training & Development Programs • Intranet • Instructions Circulars/ Newline • Employee Satisfaction Survey 	As required Frequent On-going On-going As required As required
	Community and Environment	<ul style="list-style-type: none"> • Responsible financing • CSR to community • Financial inclusion • Ethics and business conduct • Environmental performance • Employment opportunities 	<ul style="list-style-type: none"> • Branch Network & Delivery Channels • CSR Initiatives • Media Advertisements • Public Events • Bank's Website 	On-going As required As required On-going



Minority Shareholders

The management encourages and ensures the equitable treatment of all shareholders including the minority shareholders to attend, speak and vote at the General Meetings, or to appoint another member as his/her proxy in his/her absence. The notices of General Meetings are circulated by the Bank within the regulatory timeframes to the shareholders (including minority shareholders). It is also published in Urdu and English newspapers.

Investor Relations

To keep transparency in the relationship between the Bank and its shareholders, the Bank's official website (<https://www.nbp.com.pk/InvestorRelations/index.aspx>) contains all the major financial information needed for investors' decision making.

Proceedings of the last AGM

The 69th Annual General Meeting of the Bank was conducted in Karachi on March 29, 2018. The meeting was chaired by the President / CEO of the Bank and was well attended by a large number of shareholders, analysts, financial journalists and other stakeholders. The shareholders appreciated efforts of the management towards better functioning of the Bank and profitability. The shareholders also raised questions on the Financial Statements of the Bank, especially with respect to the contingencies, administration costs, and Board's decision of not recommending any dividend payout. The questions were well addressed by the President and his aides in maximum detail, after which the Financial Statements and other agenda items were approved unanimously by the shareholders.

The shareholders also approved appointment of M/s. Deloitte Yousuf Adil Chartered Accountants and M/s Grant Thornton Anjum Rahman, Chartered Accountants as external Auditors of the Bank for the year 2018.

Analyst Briefing in 2018

Last year, the analysts' briefing was held on February 20, 2018 which was well attended by a large number of audience. The President, along with his senior team members, briefed the audience on business strategy as well as financial position & performance of the Bank. Key areas of interest for the analysts included the pension related contingencies, capital adequacy and dividend payout.



Organisational Sustainability







Health



Due to the shortage of equipment, laboratories, doctors, paramedical staff and depleted infrastructure and buildings, the health care delivery system in Pakistan is short of standard healthcare facilities. Since the Government of Pakistan has limited resources, it is unable to fully meet medical needs of the population living in rural and urban areas of Pakistan. NBP, in partnership with various NGOs and institutions arranges various medical and eye camps in remote areas of various province of Pakistan and also helps in upgrading the infrastructure by providing financial and equipment support through concerned Patient Welfare Societies of various hospitals.

In Pasheen and Kachlaq in Balochistan portable machines and medicines were donated by NBP. Approximately 7,000 wheel chairs have been supplied to various health institutions as well as specialized white canes for blind people. Dialysis machines have been supplied in remote areas in Sindh for patients who cannot afford to come to the cities. NBP has set up Arron plants and solar plants in Thar.

Education



NBP strongly believes that education plays a vital role in the economic development and poverty alleviation. Pakistan urgently needs investment in excellent academic facilities for imparting skills among young people to help them utilize their highest potential. NBP has invested resources for the development of future generations and extended financial support for the construction of HUB School, KBSL, Aga Khan University, Habib University and IBA Karachi, Khan Abdul Wali Khan in Peshawar and Sukkur IBA. Rural area schools have been given books and furniture.

To support NGOs like The Citizen Foundation School, NBP adopted one of the TCF Schools in Nawabshah. The bank awarded scholarships to more than 250 students from all over Pakistan under its scholarship program to institutions like Namal College, Jinnah Foundation School, Hunar Technical Institute, Tando Allahyar and Roshni School Gujranwala. NBP also focused on educational activities and upgraded computer labs of Shaikh Zayed Islamic Centre and Government Women College Karachi. The bank also adopts and distributes books to libraries at Islamabad. NBP sponsors activities of IBA, LUMS and NED students in an international event at Korea.

NBP has been sponsoring the Motivational Volunteer Empowerment Program (MOVE). The purpose of the MOVE program or workshop is to effect social changes by training and engaging Pakistani youth in meaningful community development projects through in-house training sessions and facilitated field work.

Women and Child



NBP provides support to different NGOs for vocational training to help the needy and poor women. With an, NGO Kause-Kazah, it has initiated a project called "NBP Empowered Women, Empowered Pakistan". The core objective of this project is empowering women in Pakistan to sufficiently fulfill their daily needs as well as earn a healthy, respectable and socially acceptable form of livelihood. Furthermore, this project hopes that – in the long run – women of rural background, who are the only bread winners of their family will have a stable form of revenue with sustainable livelihood at four centers – Kashmore, Sindh; Jafferabad, Balochistan; Rawalpindi, Punjab and Abbottabad and Haripur, KP – while three more centers will be established soon in Chakwal, Punjab; Mirpur Khas, Sindh and Dadu Murad, Balochistan. This will mean two centers per province at a national level. Vocational camps in Thar and Northern areas for women have been set up and participants were given sewing machines to earn to live with dignity.



Plantation



As plantation plays an important role for environment NBP has planted fruit trees on Peshawar-Islamabad highway for people to benefit from it. NBP has signed MoUs with universities in which students will plant trees and look after them for four years by treating assignment as Social Work activity. Nearly 200,000 saplings have been given to the army, schools, universities, PDA, DHA, NHA, district governments and local authorities for plantation.

Cultural Events



NBP sponsors cultural events on different occasions with the support of NGOs and cultural events organizers. Among them was Naat competition for the blind, All Pakistan Folk Singing Mela, donkey cart race, book launch on culture, traditional songs competitions and cultural events on occasion of Christmas, like carol competitions.

Sports



NBP has emerged as the sports leader in its promotion and development in Pakistan in recent years. The motto of the bank's leadership is to maintain high standards of bank teams in various games. Its multi-purpose Sports Complex in the Karachi-Clifton area is the hub of sports activities athletics, tennis and swimming. Legendary cricketers Asif Iqbal, Wasim Raja and many others gave the bank a formidable team. Iqbal Qasim, left arm spinner, is the longest serving sportsman of NBP and has given the bank a flourishing sports department.

To participate in Quaid-e-Azam Trophy, NBP hired the services of Shan Masood, Mir Hamza, Roman Raees and few other Test and International cricketers to strengthen its cricket team. Hockey, snooker and squash are also supported by NBP, with snooker being sponsored by the bank for the past seven years and last year. Pakistan stood second in the world tournament. As Lyari youngsters excel in football, NBP sponsors and encourages them along with cities Faisalabad and Gojra. The bank also encourages women players in hockey, cricket and football and other games.

Special Persons



Disability is not properly understood by various segments of the society and disabled are not treated with respect. NBP through its CSR initiatives plays a vital role for special persons by providing them opportunities to develop independence, confidence and fitness through participation in competitive sports activities. The bank has organized cricket tournaments for blinds and disabled persons. NBP also provides wheelchairs and tricycles.



Dear Shareholders

On behalf of the Board of Directors of the Bank, we are pleased to present to you the Audited Annual Financial Statements of the Bank for the year ended December 31, 2018. It has been yet another successful year for the Bank as we made the best of our strengths & emerging market opportunities to improve the performance of the Bank. During the year we moved ahead with our aspiration to become a leading bank for partnering economic growth through offering diversified financial products, financial innovation, superior service quality, adopting modern-day alternate delivery channels, investing in our human resources people and achieving higher sustainable returns for our shareholders and other stakeholders.

Our success emerges from our extensive market outreach, strong capital base & credit rating, optimally diversified and strong balance sheet, customer loyalty, brand recognition, and an ambitious team. We aim to be the best and most innovative bank in Pakistan meeting all business needs of all segments of the society, more particularly the rapidly growing sectors such as SME, Islamic Banking, Home Remittances, Trade Finance and Cash Management.

Directors' Report to the Shareholders

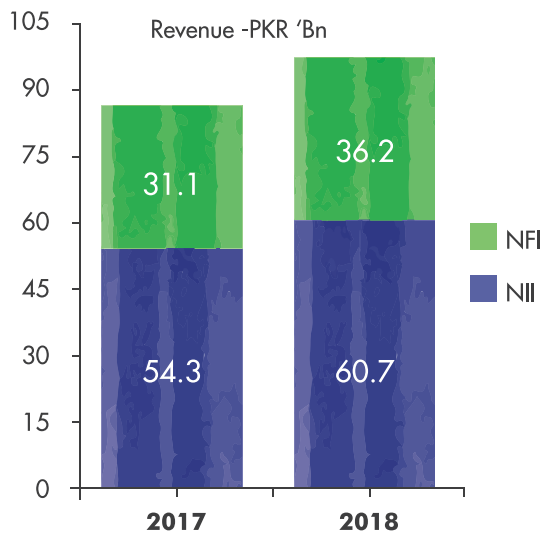




2018 at a Glance

The Bank has improved its service quality, embraced new technological changes and continued reinforcing its standards of business execution. Realizing that technological advancement and human capital enrichment are crucial for efficient execution of our business, significant achievements were made during the year for improving both of those. Technological improvement would help us in smooth delivery of products and services, and will also enrich our human and intellectual capital.

Maintaining its leading position in the banking industry, NBP has kept its pace of expanding its market outreach by adding to its product range, redefining its business strategies and adopting modern-day delivery strategies.



Our domestic branch network stands at 1504 branches. The Bank now has an ATM universe of 1350+ ATMs installed throughout the country to satisfy our customers' needs. The Bank has in its ATM network the World's highest ATM installed at 4,700 meters above the sea level at Pak-China border. The Bank has a sizeable footprint on the main routes of CPEC, which will be further expanded as and when required.

NBP is now one of the few banks in Pakistan with a balance sheet size of above PKR 2.7 Trillion. The Bank continues to maintain its market position of being the largest lending institution and a key player for promoting financial inclusion in the country. To increase market share in the growing home-remittance business, the Bank has established remittance arrangements with a large number of correspondents in several continents, including some of the leading names in the Middle East. Our products like "NBP Foree Cash", "NBP Foree Transfer" and "NBP Foree Remittances Account" offer hassle-free financial solutions to our customers. As soon as the funds are remitted to an account, the beneficiary receives an SMS alert, and can withdraw cash from any ATM across Pakistan.

To boost economic development at SME level, the Bank has established Commercial & SME credit service centres in various cities across Pakistan. These commercial credit

centres cater to both credit & non-credit financial requirements of the small & medium scale businesses. During 2018, our Corporate Banking Group has also added several new corporate relationships and enhanced their wallet-share with existing customers creating sizeable earnings for the Bank.

Islamic Banking operations remain one of the important area for the Bank. During 2018, our Islamic Banking branch network increased from 169 to 192 branches. In order to strengthen the product menu with regard to specialized deposit products, NBP Aitemaad has launched new deposit products for Financial Institutions, Senior Citizens, Widows and Special Person in a unique manner differentiating it from the products currently prevailing in the market in order to maximize the benefits primarily for the customers and the society at large.

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

Economic Backdrop

Globally, economic growth remained subdued during 2018 and is estimated at 3.7%. For 2019 and 2020, growth estimates have already been revised downward at 3.5% and 3.6% respectively which is 0.2 and 0.1 percentage point below the initial projections. These developments occurred against a backdrop of weakening financial market sentiments, and a lacklustre performance observed by major economies. Concerns about inflationary effects e.g. from oil price volatility and currency depreciation have lead central banks in many emerging market economies to raise policy rates.

Nationally, economic activity & growth witnessed a slowdown during most of the year. Pressure on the balance of payments continued to mount, along with a decline in the country's forex reserves and depreciation of Pak Rupee. GDP growth is projected to slow to 4.3% during fiscal year 2019 (2018: 5.8%) due to tightening domestic monetary conditions. CPEC, moving on from the infrastructure phase, shall be entering into its second phase which will be more focused on trade & industry and is expected to pull technology & skills into Pakistan. Foreign companies in automobiles, telecom, oil & gas, electronics, etc. are showing their interest for investment in Pakistan. This, along with increase in external financial inflow, is contributing towards reduced pressures on the Country's external accounts. On the external front, some exports growth and increase in workers' remittances have partially helped to contain the current account deficit. Responding to these challenges, the Government has initiated austerity measures, cuts in development spending, partially reversed tax relief, and also explored external avenues to bridge the external financing gap. SBP also shored up its stabilization efforts by tightening the monetary policy and increasing the policy rate.

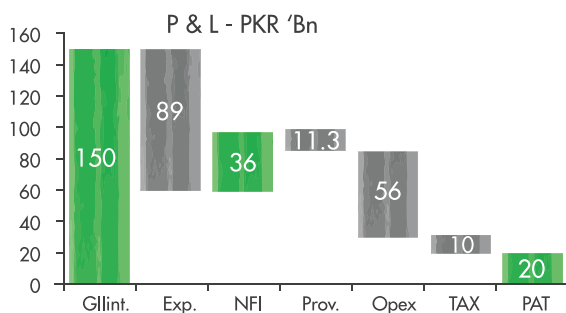


In the prevailing market conditions risk profile of the Banks is expected to remain volatile. Loan performance may also remain under pressure due to the slowing economic activity and higher policy rates. However, the solid capital base and stable funding and liquidity will remain key strength of the Banks. Increasing foreign remittances and greater financial inclusion are mobilising low cost deposits for the Banks, resultantly improving funding and liquidity position and strengthening core liquidity buffers.

Review of Financial Performance – 2018

For the year 2018, the Bank earned pre-provision profit of PKR 41.0 billion. This is 11.4% higher against PKR 36.8 billion earned for corresponding year. Profit before-tax for the year amounted to PKR 29.7 billion. There is a decline of PKR 5.9 billion or 16.6% compared to prior year's profit before-tax of PKR 35.6 billion. Reduction in profit before-tax is mainly due to higher provision charge against advances mainly attributed to default by a single borrower group.

increase in administrative expenses on account of revision in pay scale. After-tax profit for year amounted to PKR 20.0 billion registering a 13.1% drop against PKR 23.0 billion of the corresponding year. Earnings per share for year amounted to Rs. 9.41 as compared to Rs. 10.82 of prior year.



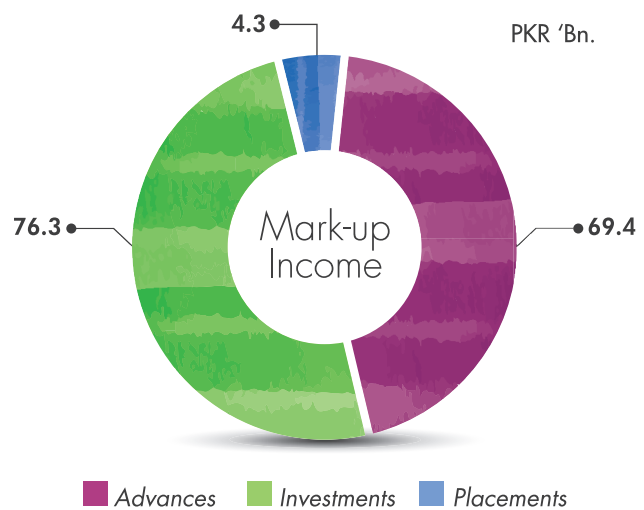
• Summary Highlights

(PKR 'Billion)

Financial Performance	2018	2017	Better/(Worse)	
Net Mark-up/Interest Income	60.67	54.25	6.41	11.82%
Non Mark-up Income	36.25	31.07	5.18	16.68%
Total Revenue	96.92	85.32	11.60	13.59%
Operating Expenses	55.69	48.22	(7.46)	(15.47%)
Profit before-provision	40.98	36.79	4.19	11.40%
Profit before-tax	29.68	35.60	(5.92)	(16.62%)
Profit after-tax	20.02	23.03	(3.01)	(13.08%)
EPS (Rs.)	9.41	10.82	(1.42)	(13.08%)
Financial Position				
Investments	1,284.32	1,295.72	(11.40)	(0.88%)
Advances	926.01	739.77	186.24	25.17%
Deposits	2,011.39	1,727.10	284.28	16.46%
Total Assets	2,798.57	2,505.32	293.25	11.70%
Net Assets	206.87	175.38	31.49	17.95%

• Mark-up / Interest Income

During the year 2018, the Bank earned gross mark-up/interest income amounting to PKR 149.97 billion, being 21.85% higher than PKR 123.07 billion earned during the corresponding year. This growth is attributable to both, the volumetric growth in advances and investments, as well as the impact of increase in policy rate during the year. Net Mark-up/interest earned during the year amounted to PKR 60.67 billion, or 11.82% higher against PKR 54.25 billion earned during last year.



Mark-up/interest income earned on Advances amounted to PKR 69.36 billion which is 26.4% higher than PKR 54.9 billion earned during the prior year. The increase was recorded in all key products i.e. Corporate, Commodity, Consumer, SME and Islamic financing on account of both volumetric growth as well as constant increase in discount rate during the year.

Interest earned on investment for the year under review amounted to PKR 76.29 billion, which is higher by PKR 9.8 billion or 14.80% as compared to PKR 66.45 billion for the corresponding year. Growth in income was driven by improved yield on the government bonds on the back of higher discounts rates. To maximise the returns while effectively managing the interest rate risk, the Bank has efficiently placed its funds into low-risk available-for-sale securities.

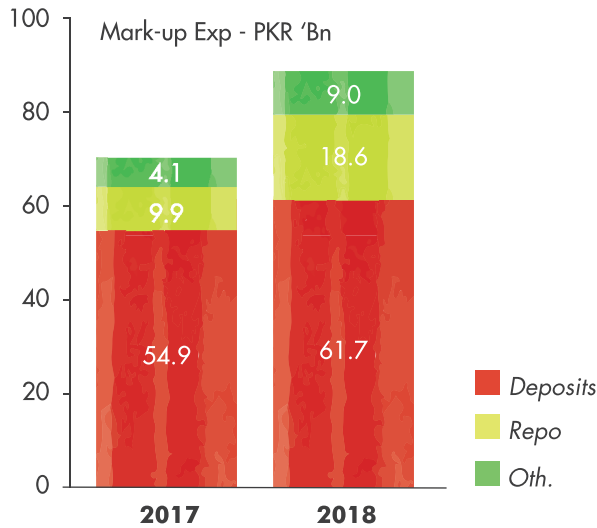
• Mark-up / Interest Expense

Mark-up/interest expense for the year under review amounted to PKR 89.30 billion, being 29.76% higher as compared to PKR 68.82 billion of the corresponding year. Higher minimum profit rate, on the back of increased discount rate, was the key trigger for increase in mark-up expense.

Increase in mark-up/interest expense is attributable to both the volumetric growth in deposits as well as the Repo transactions which mainly constitute borrowings against treasury bills. Mark-up/interest expense incurred against remunerative deposits amounted to PKR 61.70 billion, being 12.44% up YoY. Widening of interest rate differential and the swap / forward points resulted in higher swap costs thereby

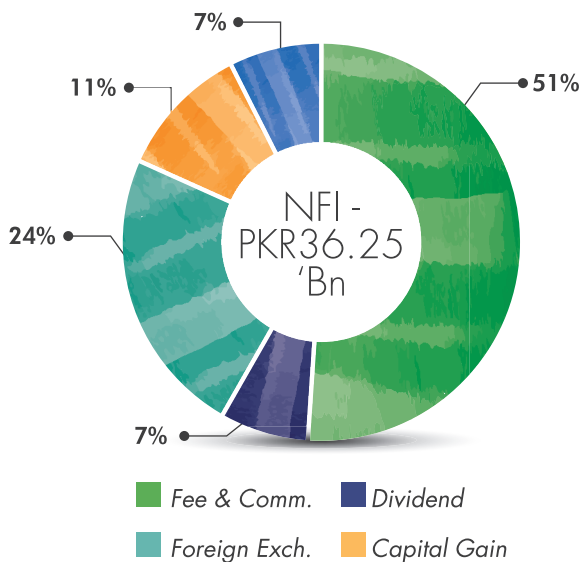


contributing towards increased cost of funds.



• Non Mark-up / Interest Income

Banking on our unparalleled market outreach and substantial market share, we achieved an overall 16.68% growth in this category of income. Total non mark-up/interest income for the year amounted to PKR 36.25 billion and constituted 37.4% of the Bank's total revenue for the year. The Fee & Commission income for the year amounted to PKR 18.53 billion as against PKR 16.77 billion of prior year. Significant growth was observed in foreign exchange income that increased by PKR 6.24 billion YoY to PKR 8.49 billion during 2018. Higher FX volumes and increase in rate resulted in better yield / spread realisation on arbitrage activities. Large adjustment in USD/PKR of more than 25% helped our FX desk to record significantly higher profits.



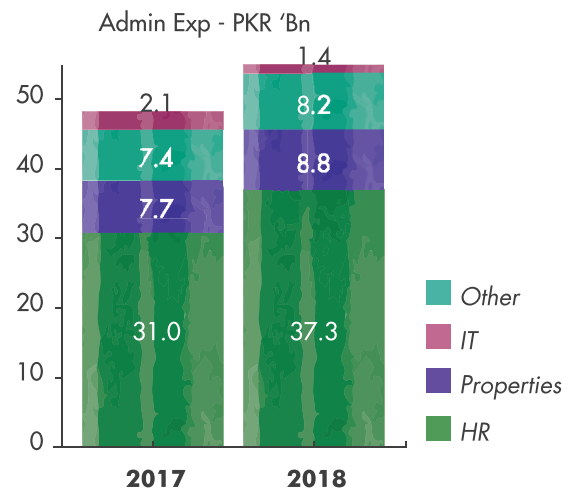
Given the lacklustre performance by the PSX during the year, both the dividend income and capital gain recorded a drop during the year, as some of the companies didn't declare dividend payout. Divided income dropped by PKR 1.21 billion to PKR 2.61 billion as against PKR 3.82 billion during

2017. Similarly, gain on sale & redemption of securities also dropped 39.3% by PKR 2.55 billion to PKR 3.93 billion as against PKR 6.48 billion of the corresponding year. This was mainly due to lower fixed income capital gains on account of rising interest rate scenario of PIBs. To mitigate the adverse impact of recent sluggish performance of the PSX, we have strategised to enhance the non mark-up income through growth in other business areas like digital banking, trade finance and cash management.

• Expense Management

With 15.47% increase YoY, total administrative expenses for the year amounted to PKR 55.69 billion as against PKR 48.22 billion for the year 2017. Increase in the expenses is mainly attributable to the Human Resource compensation that accounts for 66.93% of the total administrative expenses and amounted to PKR 37.27 billion as compared to PKR 31.04 billion for the year 2017. Salaries & allowances increased by PKR 5.2 billion or 20.1% YoY due to pay package announced effective January 01, 2018 as a token of appreciation towards employees' dedication and hard work.

An increase of 13.86% also incurred in the property related expenses which amounted to PKR 8.76 billion as against PKR 7.70 billion during 2017. This year, we have refurbished several business premises and also renewed a large number of lease / rental agreements at revised terms.



The Bank has developed efficient measures to maintain the administrative expenses at an optimum level. Such measures include business process automation, structural reorganisation of field functions, centralisation of certain cost functions and replacing security guards with digital security systems.

• Loan Losses & Provisions

During the year 2018, the Bank experienced a 10.4% net increase in the non-performing loans (NPL) which stood at PKR 133.4 billion as of December 31, 2018, higher by PKR 12.56 billion (net) YoY. Overseas NPL amounted to PKR 39.18 billion as against PKR 31.75 billion at the close of prior year, mainly due to PKR 7.4 billion impact of adverse movement in Pak Rupee value against the USD. As of December 31, 2018 Bank's domestic NPL made up 70.62% of the total NPL and amounted to PKR 94.18 billion which is



5.76% higher than that of corresponding year. The increase is mainly attributed to default by a single borrower group which has been fully provided for. The Bank has already initiated appropriate actions, including legal, and is taking necessary steps in this regard to safeguard its interest.

The Bank follows a prudent & cognizant methodology in line with the applicable regulations issued by the SBP for maintaining adequate provisions to effectively cover & address any potential impairment risk of the credit portfolio. Net specific and general provisions charge for the year amounted to PKR 8.20 billion and PKR 580.83 million respectively. As of December 31, 2018, Specific provision stood at PKR 126.3 billion (2017: PKR 110.7 billion) which shows provisioning to NPL coverage of 94.7% as of December 31, 2018 as compared to 91.6% as at December 31, 2017.

• Earnings per Share

The Bank's after-tax profit for the year 2018 amounted to PKR 20.02 billion which is 13.08% lower than PKR 23.03 billion earned for the year 2017. This translates into basic & diluted earnings per share of Rs. 9.41 as against Rs. 10.82 of the year 2017.

• Appropriation of Profit

The Board is conscious of the fact that the shareholders look forward to receiving dividend / bonus shares. The Board deliberated at length whether or not cash dividend should be recommended. However, the likely impact of the pension case and other contingencies, despite some positive signals, still remains a cause of concern. The first priority of the Board is to maintain continuity of Bank's business which is very much dependent upon the strong capital base of the Bank.

Accordingly it is considered more prudent to retain entire profits for the time being and once the position becomes clearer and positive, the Bank may consider declaration of dividend at a later stage. Accordingly the Board does not recommend any dividend for the year 2018.

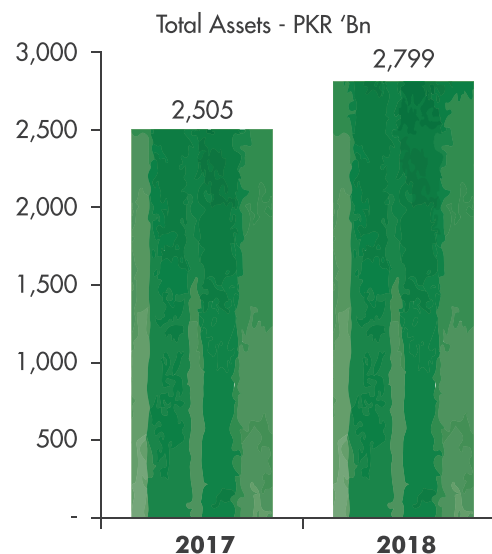
Profit for the year 2018 after carryover of accumulated profit of 2017 is proposed for appropriation as follows:

	PKR 'Bn
Profit before tax for the year ended December 31, 2018	29.68
Taxation:	
- Current	11.86
- Prior Year	(20.75)
- Deferred	18.56
	9.67
After tax profit for the year ended December 31, 2018	20.02
Un-appropriated profit brought forward	54.06
Other comprehensive income - net of tax	0.16
Transfer from surplus on revaluation of fixed assets - net of tax	0.10
Profit available for appropriations	74.34
Appropriation:	
Transfer to Statutory Reserve (10% of after-tax profit)	(2.0)
Un-appropriated profit carried forward	72.34

Review of the Financial Position

As of December 31, 2018, total assets of the Bank amounted to PKR 2,798.6 billion, depicting a healthy growth of 11.70% YoY. The State Bank of Pakistan has revised format for the annual financial statements from the accounting year ended December 31, 2018. For clarity, better understanding and YoY comparison, the comparative numbers of 2017 have accordingly been restated in the financial statements. Excluding the impact of restatement of numbers due to change in the format of financial statements, total assets of the Bank increased by PKR 383 billion i.e. 16%.

During the year, healthy growth was observed in all key elements of the Balance Sheet. During the year the Bank carried out revaluation of land & building which resulted in surplus amounting to PKR 21.8 billion. The Bank has optimally managed its asset-liability mix by generating stable funds and deploying the same into multiple earning avenues offering optimum yield, and a diversified, stable revenue stream.



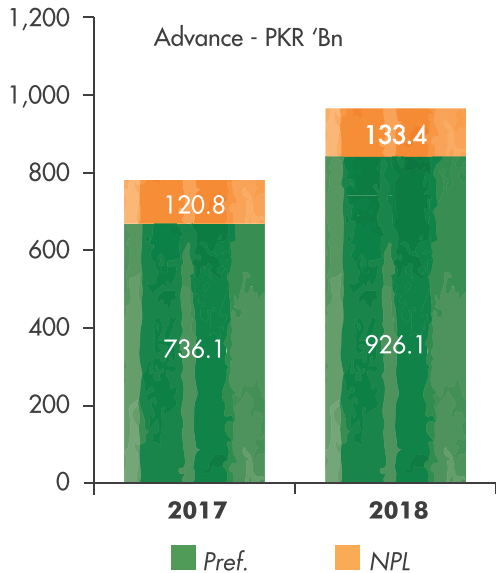
• Loans & Advances

During the year, our loan-book touched the Trillion Rupee mark as we continued to enhance our loan book prudently by lending to quality borrowers from all sectors of the economy. Growth was mainly witnessed in corporate, infrastructure, SME, commodity and consumer loans. During the year under review the Bank's gross advances grew by PKR 202.5 billion or 23.6% to PKR 1,059.5 billion as against PKR 856.9 billion at the close of prior year. Bank's net advances amounted to PKR 926.0 billion being 25.17% higher than PKR 739.8 billion at the end of year 2017. Our loan-book is mainly PKR denominated representing 91.53 % of the total gross advances. During the year, our corporate loan book increased by 27.16% to PKR 522.18 billion (gross), being one of the largest amongst peer banks.

NBP, being recently designated Systemically Important Bank "SIB" by the SBP, has developed effective plans to meet the enhanced capital adequacy requirements. Accordingly, NPLs have been provided for prudently & adequately as per the SBP regulatory requirements. Bank's total NPL of PKR 133.36 billion are adequately covered 94.68% through specific provision of PKR 126.27 billion. Further, in accordance with

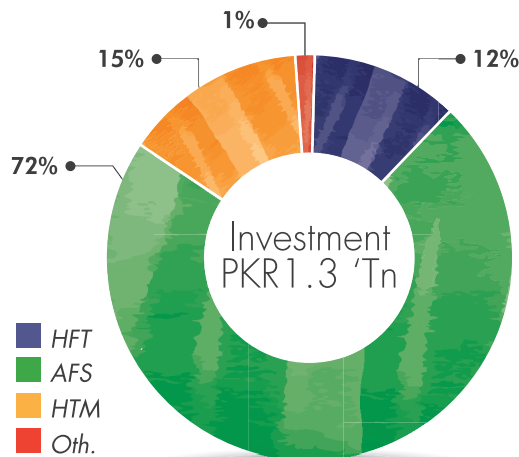


the requirements of the Prudential Regulations issued by the SBP, the Bank also maintains general loan loss reserve (provision) against performing consumer and SME advances. As of December 31, 2018 general provisions amounted to PKR 7.2 billion. NPL to Gross Advances ratio improved to 12.6% as compared to 14.1% of last year. Net NPL ratio also improved to 0.8% as compared to 1.4% of last year. Despite a sharp growth in deposits during the year, and limited growth in loan demand, Bank's ADR (gross) as at December 2018, stood at 52.7%, up against 49.6% of the last year.



• Investments

The Bank maintains an efficient investment portfolio which is more liquid, less riskier, and offers healthier yield. As of December 31, 2018, Bank's investment (at cost) amounted to PKR 1,276.29 billion as against PKR 1,271.94 billion at the end of year 2017. For better liquidity, rate-risk management, our investments are mostly placed into 'available-for-sale securities' which amounted to PKR 926.06 billion, being 72.56% of the total investments.



Investment in ordinary shares of listed companies is also well diversified in all major industrial sectors and amounted to PKR 26.01 billion at the end of 2018 (2017: PKR 23.20 billion). Historically, these investments have earned

substantial returns for the Bank by way of dividend and capital gains. Given the significant drop in PSX index during the year our investments in listed shares attracted impairment provisions on the basis of significant & prolonged criteria. However, the same was mostly off-set by reversal in provisions on account of recovery/declassification. The Bank follows a strategy to divests its investments when it feels that the market has matured enough and there exist better placement opportunities for the sales proceeds.

• Deposits

This was another area of landmark achievement for NBP as its deposits crossed PKR 2 Trillion mark. The Bank has established an unparalleled business network and outreach to a wide range of depositors throughout the Country. As the Bank enjoys depositors' utmost confidence, most of our funds are generated as stable fund through core customers' deposits. Our deposit products include traditional savings accounts, call deposits, term deposits, daily-income accounts, non-interest bearing and interest-bearing current accounts, etc. Some of the deposit products directly generate stable fee income for the Bank, e.g. non-sufficient funds fee; funds transfer fee and ATM fee, etc.

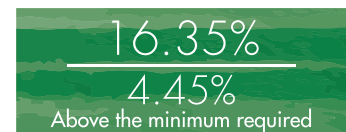


During the year under review, the Bank's deposits increased by PKR 284.28 billion and amounted to PKR 2,011.39 billion which is 16.46% higher than PKR 1,727.10 billion at the end of year 2017. The Bank follows an aggressive strategy to enhance its deposits base, particularly the low-cost current and saving (CASA) deposits. Total current deposits increased by PKR 248.3 billion or 29.1% from PKR 853.8 billion at December 31, 2017 to PKR 1,102.1 billion at December 31, 2018. The current and savings account (CASA-Domestic) ratio was 82.2% at December 2018 compared to 81.4% at December 31, 2017. This year, we contributed PKR 468 million on account of Depositors' Protection premium.

• Capital Strength & Adequacy

NBP, being recently designated as a Systemically Important Bank (SIB) by the State Bank of Pakistan, follows effective plans to comply with the regulatory and supervisory guidelines set by the SBP and Basel framework. The requirement of minimum CAR will stand increased by 1.5% effective March 31, 2019.

The Bank's eligible CET-I capital has increased from PKR 105.7 billion as at December 31, 2017 to PKR 124.8 billion as of December 31, 2018. This increase is due to improved earnings during the year. Also, our eligible Tier-II capital increased by PKR 6.2 billion due to increase in surplus on revaluation of fixed assets.





Capital Adequacy Ratio of the Bank as at December 31, 2018 stood at 16.35% with Tier-1 capital adequacy ratio at 12.10% as compared to 15.95% and 11.63% respectively as at December 31, 2017. This is comfortably above the minimum requirement of 11.90% and 11.28%, respectively.

Credit Rating

NBP is rated as 'AAA' by the two recognised credit rating agencies in Pakistan. In June 2018, M/s JCR-VIS Credit Rating Company re-affirmed the Bank's standalone credit rating as "AAA", the highest credit rating awarded by the company for a bank in Pakistan. Similarly M/s PACRA has also assigned the Bank long-term entity rating as 'AAA' (Triple AAA) and short-term credit rating as 'A1+' (A-one Plus).

Adequacy of Internal Financial Controls

The Board is pleased to endorse the statement made by the Management relating to internal controls including management's evaluation of ICFR. The Management's Statement on Internal Control is included in this Annual Report.

Sustainability & Corporate Social Responsibility

The Board acknowledges its rightful duty to operate the Bank as a socially responsible public sector company. During the year, the Bank spent PKR 77.7 million (2017: PKR 58.3 million) on CSR initiatives. The social services activities undertaken by the Bank during the year are disclosed, duly acknowledged by the Board, in CSR segment of this Annual Report.

Business Continuity Plan

The Board is pleased to endorse the disclosure made by the Management relating to Business Continuity Plan of the Bank.

Events after the Balance Sheet date

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

Changes in the Board of Directors and CEO

On April 04, 2018 Mir Balakh Sher Marri retired from the Board of Directors upon completion of his three years term. The Board appreciated services rendered by Mr. Marri as Director on the Board of NBP. On August 28, 2018, Mr. Tariq Jamali was appointed as President (Acting) in place of Mr. Saeed Ahmed in terms of the Government of Pakistan, Finance Division notification No. F.I(9)Bkg-III/2017-2455.

Subsequent to the Balance Sheet date, the Federal Government, Finance Division vide Notification No. F.I(33)Bkg-III/2018-228 dated February 12, 2019 has appointed Mr. Arif Usmani as President / Chief Executive Officer of the Bank for a term of three years effective February 12, 2019.

Pensionary Benefits Contingencies

As disclosed in Note 24.3.4.1 to the Financial Statements for the year ended December 31, 2018, the Bank has filed a review petition with Honourable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which has been accepted. Hearing of the review petition has not been fixed as yet. Pending the decision on review petition, financial impact of the subject case has not been included in the current financial statements as the Bank looks forward to a favourable outcome of the case.

Compliance with Regulatory Matters in the US Operations

The Bank and its New York Branch has entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and get them independently validated. The Bank seeks to comply with all possible laws and regulations.

Subsidy or other financial support from the Government

Except for the subsidy offered by the Government to the commercial banks at an arm's length transaction for certain products/services, the Bank does not receive any subsidy or support from the Government.

Composition of the Board and its Committees

Composition of the Board of Directors and its Committees along with the changes occurred therein during the year 2018 as required under section 227 of the Companies Act, 2017, and as presented separately in this Annual Report are acknowledged by the Board of Directors.

Performance Evaluation of the Board & Board Committees

The Board has put in place a formal mechanism for performance evaluation of the overall Board and its Committees. Performance evaluation of the Board and its Committees is carried out every year under third party approach. The Board had appointed M/s KPMG Taseer Hadi & Co. as an independent external consultant to carry out the evaluation. Last evaluation carried out by the external consultant was for the year 2017.

The consultants conduct an independent performance evaluation of the Board and its Committees to encourage better efficacy of the Board performance and compliance



with statutory requirements. Their approach towards performance evaluation included review of the minutes, agenda and terms of reference, perception surveys and structured interviews with the senior management and those charged with the Governance. Their report includes an assessment of the Board meeting and interviews conducted with the directors, the role of the Board, the composition of the Board and its Committees and skills and experience of individual directors.

Director's Remuneration

In terms of provisions of the Banks (Nationalisation) Act-1974, Directors' Remuneration is approved by the Shareholders in General Meeting of the Bank.

Appointment of Auditors

The existing auditors of the Bank M/s Deloitte Yousuf Adil Chartered Accountants and M/s Grant Thornton Anjum Rahman Chartered Accountants, retire and being eligible, have offered themselves for re-appointment as auditors of the Bank for the year 2019. The Board of Directors, upon recommendation of the Board Audit & Compliance Committee, recommends re-appointment of M/s Deloitte Yousuf Adil, Chartered Accountants and M/s Grant Thornton, Chartered Accountants as auditors of Bank for year ending December 31, 2019 to be approved by the shareholders in 70th Annual General Meeting.

Statement under the Code of Corporate Governance

The Board of Directors is aware of its responsibilities under the Listed Companies (Code of Corporate Governance) Regulations, 2017 "Code". We are pleased to state that the Bank complies with the requirements of the Code. A detailed statement to this effect has been included separately in this Annual Report.

We are pleased to report that:

- The financial statements prepared by the Management of the Bank present fairly the state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts of the Bank have been maintained;
- Appropriate accounting policies have consistently been applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment;
- Approved accounting standards, as applicable to banks in Pakistan, have been followed in preparation of the financial statements;
- The system of internal control is showing signs of improvement as compared to previous years. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss;

- There are no doubts about the Bank continuing its operations as a going concern;
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- Summarised key operating and financial data of the last six years has been given in a separate section of this Annual Report;
- The Bank operates Provident Fund and Pension Fund. Fair value of the investments of these funds based on their last audited financial statements was PKR 12,466 million and PKR 48,015 million, respectively.
- All the meetings of Board of Directors and its Committees were held in Pakistan. Number of meeting held during the year and attended by the Directors as follows:

Name	Designation	Meetings Attended
Mr. Saeed Ahmed*	President /Chairman	07/07
Mr. Tariq Jamali*	President (A)/ Chairman	04/05
Mr. Muhammad Naeem	Director	12/12
Mr. A. Akbar Sharifzada	Director	12/12
Mr. Farid Malik	Director	11/12
Mr. Muhammad Imran Malik	Director	11/12
Mr. Asad Munir	Director	12/12
Mir Balakh Sher Marri**	Director	05/05

* Mr. Tariq Jamali replaced Mr. Saeed Ahmed as President / CEO (A) of the Bank on August 28, 2018.

** Retired upon completion of his term on April 09, 2018.

Endorsement

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

- Statement of Internal Controls including management's evaluation of ICFR.
- Statement of Compliance with Code of Corporate Governance.
- Review of the performance of various Business and Support Groups.
- Risk Overview & Management.
- Sustainability and Corporate Social Responsibility Report.
- Pattern of Shareholding.

Future Outlook

Moving into its 70th year of untiring service to the Nation, the Bank remains committed to maintain its current momentum of delivering exceptional results to its shareholders in years to come. We expect 2019 to be challenging yet create



exciting opportunities for NBP and the Banking industry as a whole. While the measures implemented by the Government and SBP are taking hold and key indicators have started showing signs of stabilization, key areas of concern for the Bank include increasing cost of doing business, adverse impact of interest rate volatility on loan book quality and the increasing inflation.

We have just launched our Debit Card product, and our future business strategy will evolve around realigning ourselves with the emerging e-banking dynamics as business growth requires special attention to Digital Banking for offering comprehensive banking solutions. We will exploit every digital channel to maximise our business outreach and meet our customers' expectations. Targeting a growth in non-fund income, the Bank will be moving in the right direction to promote home remittances and capture greater business share of internet banking and international trade. On Islamic Banking front, we will keep enhancing our market outreach by adding to our branch network and product range. NBP will continue investing for the enrichment of its human, manufactured and intellectual capital through acquiring exceptional talent, training and development and deployment of state of the art IT system. Efforts will also be made for better 'expense management' through operational efficiencies and internal controls. All of these will strengthen Bank's leading position in the industry

Also, once the IFRS-9 is implemented, the Bank will have to create higher general loan-loss provisions under the expected credit loss model. For prudence & forward planning, we are already carrying out the study to identify impact of IFRS-9 on our business & risk management methodology. We are in the process of carrying out a study to identify possible impacts.

Uncertainties that could affect the Bank's financial performance & position:

Financial performance of the Bank is subject to certain uncontrollable risks and contingencies. Key factors that may cast an adverse impact on Bank's financial position & performance in the forthcoming years are as follows:

- **Policy Rate:** Any downwards revision in the discount rate may result in lower gross / net interest income and reduce profitability of the Bank.
- **Currency Depreciation:** Depreciation in Pak Rupee value can increase NPL of our overseas branches and subsidiaries, resulting in an adverse impact on overall profitability of the Bank.
- **Taxes & Regulatory Requirements:** An upward revision in the tax rate, or other requirements under SBP Prudential Regulations related to the minimum capital or liquidity reserves etc. may also adversely impact profitability of the Bank.

Conclusion & Acknowledgement

We would like to take this opportunity to appreciate and acknowledge the contributions of Directors for their leadership and guidance towards the successful and healthy

growth shown by the Bank. On behalf of the Bank, we extend our sincere appreciation to the State Bank of Pakistan, Securities & Exchange Commission of Pakistan and other regulatory authorities for their continued support and guidance during the course of the year.

We also appreciate the role played by the Bank's employees who performed resolutely throughout the year under challenging conditions. We would also like to express our gratitude and appreciation to our customers, shareholders and other stakeholders for their support, and trust in the Bank. We look forward to their continued support in enabling the Bank to achieve its true potential and to play its part in the socio-economic development of Pakistan as The Nation's Bank.

For and on behalf of the Board of Directors

Arif Usmani
President & CEO

Muhammad Imran Malik
Director

Karachi
Dated: February 22, 2019



اظہار تشکر

ہم اپنے بورڈ آف ڈائریکٹرز کی شراکت کو سراہتے ہوئے بینک کے مفاد میں رہنمائی اور انتھک کوششوں کا اعتراف کرتے ہیں۔ بینک کی جانب سے، ہم اسٹیٹ بینک آف پاکستان، سیکورٹی اینڈ ایکسچینج کمیشن آف

ترقی کے ذریعے اپنی ہیومن، مینیوفیکچر ڈاور ڈیٹا اور ذہنی صلاحیتوں کو بڑھانے پر مسلسل سرمایہ کاری کر رہے ہیں۔ اندرونی انضباط اور آپریشنل صلاحیتوں کے ذریعے اخراجات کی منجمنٹ کو بہتر کرنے کے لیے بھی کوشاں ہیں۔ ان تمام اقدامات سے ہمارا بینک انڈسٹری میں مستحکم اور نمایاں مقام حاصل کر لے گا۔

پاکستان اور دیگر ریگولیٹری اتھارٹیز کے سالہا سال سے ہمارے ساتھ عملی مراحل کے دوران مستقل تعاون اور رہنمائی کے لیے بے حد مشکور ہیں۔

ایک مرتبہ IFRS-9 پر عمل درآمد ہونے سے بھی بینک بڑے پیمانے پر جنرل لون لاس پر قابو پالے گا جس کی کریڈٹ لاس ماڈل سے توقع کی جائے گی۔ ہم اپنی دانائی اور مستقبل کی منصوبہ بندی سے اپنے کاروبار اور رسک مینجمنٹ میٹھا ڈولوبی پر IFRS-9 کے اثرات کی تشخیص کے لیے پہلے ہی سے ایک اسٹڈی کر رہے ہیں۔ ہم نے ممکنہ اثرات کی تشخیص کے لیے اسٹڈی پر عمل شروع کر دیا ہے۔

ہم بینک ملازمین کو بھی دل سے سراہتے ہیں جنہوں نے سال بھر مشکل حالات میں ثابت قدمی اور تندرستی سے کام کیا۔ ہم اپنے صارفین، حصص یافتگان اور دیگر شراکت داران کے تعاون اور بینک پر ان کے بھروسے کے لیے شکرگذاری اور تعریف کا اظہار کرتے ہیں اور ان کے مستقل تعاون کے لیے بھی پُر امید ہیں جو بینک کو پاکستان میں معاشی و معاشرتی ترقی میں شراکت دار کے طور پر اہم کردار ادا کرنے اور بینک کو ابھرتے ہوئے کاروبار اور ترقی کے مواقع کو حقیقت میں بدلنے میں معاون ثابت ہوگا۔

غیر یقینی صورتحال جو بینک کی کارکردگی اور پوزیشن پر اثر انداز ہو سکتی ہیں

بینک کی مالی کارکردگی اور درج بالا مستقبل کی توقعات اختیار سے باہر خدشات اور ہنگامی صورتحال پر منحصر ہیں۔ آئیو الے سال میں بینک کی کارکردگی اور مالی صورتحال پر اثر انداز ہونے والے عوامل درج ذیل ہیں:

منجانب بورڈ آف ڈائریکٹرز

عارف عثمانی

صدر اور چیف ایگزیکٹو آفیسر

محمد عمران ملک

ڈائریکٹر

کراچی

بتاریخ: 22 فروری، 2019

پالیسی ریٹ: ڈسکاؤنٹ ریٹ میں کسی بھی کمی کا اعادہ، منافع / خالص سود آمدنی میں کمی کا باعث ہو سکتا ہے جس سے بینک کا منافع متاثر ہو سکتا ہے۔

روپے کی قدر میں کمی: روپے کی قیمت میں کمی ہماری اوور سیز برانچز اور ماتحت اداروں کے NPL میں اضافہ کا باعث بننے کے ساتھ ساتھ بینک کے مجموعی منافع پر بھی خراب اثرات مرتب کر سکتی ہے۔

ٹیکس اور ریگولیٹری ضروریات: ٹیکس ریٹ یا کم سے کم سرمائے یا سالیٹی گوشواروں سے وابستہ SBP کی پروڈنشل ریگولیٹیشن سے متعلق کسی بھی قسم کے اضافے کا اعادہ بینک کے منافع پر منفی اثرات مرتب کر سکتا ہے۔



ڈائریکٹرز کے لیے معاوضہ

نام	عہدہ	شہرت کردہ اجلاسوں کی تعداد
سعید احمد ☆	صدر/چیئرمین	07/07
طارق جمالی ☆	صدر (A)/چیئرمین	04/05
محمد نعیم	ڈائریکٹر	12/12
اسے اکبر شریف زاہد	ڈائریکٹر	12/12
فرید ملک	ڈائریکٹر	11/12
محمد عمران ملک	ڈائریکٹر	11/12
اسد نسیم	ڈائریکٹر	12/12
بلخ شیر مری ☆ ☆	ڈائریکٹر	05/05

☆ جناب طارق جمالی نے 28 اگست 2018 کو قائم مقام صدر/چیف ایگزیکٹو آفیسر کے طور پر جناب سعید احمد کی جگہ لی ہے۔
☆ ☆ 09 اپریل 2018 کو ان کی مدت پوری ہونے پر ریٹائر ہو گئے۔

بیلنگ (نیشنلائزیشن) ایکٹ 1974 میں دی گئی شرائط کے تحت ڈائریکٹرز کے لیے معاوضہ بینک کی جنرل میٹنگ میں حصص یافتگان کی جانب سے منظور کیا جاتا ہے۔

آڈیٹرز کی تقرری

بینک کے موجودہ آڈیٹرز ڈیلوئیٹ ڈیلوئیٹ پوسٹ عادل، چارٹرڈ اکاؤنٹنٹس اور میسرز گرانٹ تھورنٹن، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے اور بطور اہل سال 2019 کے لیے بینک کے آڈیٹرز کے طور پر اپنی دوبارہ تقرری کی پیشکش کی۔ بورڈ آف ڈائریکٹرز نے بورڈ آڈٹ اور کمپلائنس کمیٹی کی تجویز پر 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے شیئرز ہولڈرز کی جانب سے 70 ویں سالانہ جنرل میٹنگ میں منظوری پر بینک کے آڈیٹرز کے طور پر میسرز ڈیلوئیٹ پوسٹ عادل، چارٹرڈ اکاؤنٹنٹس اور M/s گرانٹ تھورنٹن، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

توثیق

بورڈ آف ڈائریکٹرز درج ذیل بیانات کی توثیق کرتا ہے اور اسے اس سالانہ جائزے میں پیش کرتے ہوئے خوشی محسوس کر رہا ہے:

- I - اندرونی انضباط کا بیان بشمول ICFR کی توثیق
- II - کوڈ آف کارپوریٹ گورننس پر عمل درآمد کا بیان
- III - مختلف کاروباری اور معاشی گروپس کی کارکردگی کا جائزہ
- IV - رسک مینجمنٹ کا جائزہ
- V - مستحکم اور کارپوریٹ سماجی ذمہ داریوں کا جائزہ
- VI - شیئرز ہولڈنگ کی ترقی

مستقبل کی پیش بینی

قوم کی انتھک خدمت کے 70 ویں سال کی جانب پیش قدمی کرتے ہوئے آنے والے سال میں اپنے حصص یافتگان کو غیر معمولی نتائج فراہم کرنے کے لیے بینک اپنی موجودہ رفتار کو برقرار رکھنے کے عزم کا اعادہ کرتا ہے۔ ہم سال

2019 کی چیلنجنگ صورتحال سے NBP اور تمام بینکنگ انڈسٹری کے لیے دلچسپ و مفید مواقع پیدا ہونے کی توقع رکھتے ہیں۔ جب حکومت اور SBP کے اقدامات پر عمل درآمد ہوگا تو یہ بینک کے متعلقہ اہم حصوں میں استحکام کی علامات کے اہم اشارے ہیں، ساتھ ہی جاری کاروبار کی لاگت مالیت میں اضافے، سود کی شرح میں اتار چڑھاؤ کے لہجوں کے معیار پر پڑنے والے خراب اثرات اور افراط زر میں اضافہ کے روپ میں بھی ظاہر ہوں گے۔

ہم نے حال ہی میں ڈیٹ کارڈ پروڈکٹ متعارف کرائی ہے اور ہماری مستقبل کی بزنس حکمت عملی ابھرتی ہوئی متحرک ای بیکنگ جیسی ہمارے گروپ کی نئی سمتوں کا تعین کرے گی، کیونکہ کاروبار میں اضافے کے لیے ڈیجیٹل بینکنگ خصوصی توجہ کی طالب ہے جو کہ جامع بینکاری کا اصل پیش کردہ ہے۔ ہم اپنے صارفین کی توقعات تک رسائی اور ہم آہنگی سے اپنے کاروبار میں اضافہ کے لیے تمام ڈیجیٹل چینل کے استعمال کو فروغ دیں گے۔ نان فنڈ آمدنی میں اضافے کے ہدف کی تکمیل کے لیے بینک درست سمت میں بڑھتے ہوئے عالمی تجارت اور انٹرنیٹ بینکاری کے بہت بڑے کاروباری حصے پر گرفت مضبوط کر رہا ہے۔ اسلامی بینکاری کے محاذ پر ہم اپنی مارکیٹ کو وسیع کرنے کے ساتھ ساتھ اپنی برانچز کے نیٹ ورک اور پروڈکٹ رینج میں اضافہ کر رہے ہیں۔ NBP غیر معمولی قابلیت، تربیت و ترقی اور اسٹیٹ آف دی آرٹ آئی ٹی سسٹم میں

کوڈ آف کارپوریٹ گورننس کے تحت بیانیہ

بورڈ آف ڈائریکٹرز کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 کے کوڈ کے تحت درج کیے گئے متعلق اپنی ذمہ داریوں سے بخوبی واقف ہے۔ ہم یہ بتاتے ہوئے خوشی محسوس کر رہے ہیں کہ بینک کوڈ کی ضروریات کے مطابق عمل کر رہا ہے۔ اس کے اثرات سے متعلق ایک تفصیلی بیان اس سالانہ رپورٹ میں علیحدہ شامل کی گئی ہے۔

ہم یہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں:

- a - بینک انتظامیہ کی جانب سے تیار کردہ فنانشل اسٹیٹمنٹس اور اس کے کاروباری امور، آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں منصفانہ تبدیلی کی کوٹا ہر کرتی ہیں۔
- b - بینک نے باضابطہ طور پر تمام کھاتوں کو برقرار رکھا ہے۔
- c - ان مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانش مندانہ رائے پر مبنی ہیں۔
- d - ان مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کے منظور شدہ اور پاکستان میں بینکوں پر لاگو معیارات کا اطلاق کیا گیا ہے۔
- e - اندرونی انضباط کا نظام گذشتہ سالوں کے مقابلے میں بہتری ظاہر کر رہا ہے۔ تاہم ایسا نظام انتظام سنبھالنے کے لیے تیار کیا جاتا ہے مگر یہ مقاصد کے حصول میں ناکامی کے رسک کو مکمل ختم کرنے میں معاون نہیں ہوتا اور گوشواروں میں بے ضابطگیوں یا نقصان کی حتمی نہیں بلکہ ایک مناسب بیج کئی کو ممکن بناتا ہے۔
- f - کاروبار کو جاری رکھنے کی بینک کی صلاحیت پر کوئی شکوک و شبہات نہیں ہیں۔
- g - مقررہ قواعد و ضوابط میں درج کارپوریٹ گورننس کی بہترین مشقوں سے انحراف نہیں کیا گیا ہے۔
- h - گزشتہ 6 سالوں کے بنیادی آپریشن اور مالیاتی اعداد و شمار اس سالانہ رپورٹ میں علیحدہ حصے میں دیے گئے ہیں۔
- i - بینک پروویڈنٹ فنڈ اور ریٹائرمنٹ فنڈ کو آپریٹ کرتا ہے۔ ان فنڈز کی سرمایہ کاری کی مناسب قیمت ان کی آخری آڈٹ شدہ فنانشل اسٹیٹمنٹ کے مطابق بالترتیب 12,466 ملین پاکستانی روپے اور 48,015 ملین پاکستانی روپے ہے۔
- j - بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کے تمام اجلاس پاکستان میں منعقد کیے گئے۔ سال بھر میں ہونیوالے اجلاسوں کی تعداد اور ان میں ڈائریکٹرز کی شرکت کی تفصیل درج ذیل کے مطابق ہے:



بینشیری فوائد کی غیر متوقع صورتحال

جیسا کہ 31 دسمبر 2018 کو ختم شدہ سال کے لیے فنانشل اسٹیٹمنٹس کے نوٹ 24.3.4.1 میں ظاہر کیا گیا ہے کہ بینک نے معزز عدالت عظمیٰ پاکستان میں نظر ثانی کے لیے درخواست جمع کرائی ہے اور نظر ثانی کی پیشین کی ساعت کے لیے سپریم کورٹ کی لارجر بینچ تشکیل کرنے کی بھی درخواست کی گئی ہے جو قبول کر لی گئی ہے۔ جبکہ نظر ثانی کی پیشین کی اب تک کوئی ساعت نہیں رکھی گئی ہے۔ نظر ثانی کی پیشین پر فیصلے میں الٹوئی کے باعث اس کیس کے عنوان کے مالیاتی اثرات رواں فنانشل اسٹیٹمنٹس میں شامل نہیں کیے گئے کیونکہ بینک کیس کے نتائج اپنے حق میں آنے کے لیے پرامید ہے۔

US آپریشنز کے امور میں ضوابط کی تعمیل

بینک اور اس کی نیویارک برانچ کا فیڈرل ریزرو بینک آف نیویارک اور نیویارک اسٹیٹ ڈیپارٹمنٹ آف فنانشل سروسز (US ریگولیٹرز) کے ساتھ 2016 میں ایک معاہدہ طے پایا ہے، جو بشمول دیگر بینک کو مخصوص حوالوں سے تعمیل کرنے اور رسک مینجمنٹ کے امور، جن کا تعلق اثاثی مٹی لانڈرنگ اور US بینک رازداری کے قوانین کے تقاضوں اور مطلوبہ نظام اور ضوابط کو لاگو کرنے اور ضرورت کے حساب سے پورے وسائل کو بروئے کار لانے کا پابند کرتا ہے تاکہ ضروریات کے مطابق تعمیل کو یقینی بنایا جاسکے۔ بینک نے معاہدے کی تمام شقوں سے خود کو ہم آہنگ کیا ہے اور اس کے معائنے کے بعد اس کی آزاد توثیق حاصل ہو چکی ہے۔ بینک معاہدے کے تمام قوانین اور ضوابط کی تعمیل کا خواہاں ہے۔

حکومت کی جانب سے سبسڈی یا دیگر مالی معاونت

حکومت کی جانب سے کمرشل بینکوں کو کچھ خاص پروڈکٹس اخذات کے لیے بین الاقوامی ٹرانزیکشن کے لیے دینے والی سبسڈی کے علاوہ بینک کو حکومت سے کوئی سبسڈی یا معاونت موصول نہیں ہوئی ہے۔

بورڈ اور اس کی کمیٹیوں کی ترکیب

سال 2018 کے دوران بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی ترکیب بمعہ ان میں کی جانے والی ضروری تمام تبدیلیاں کمیٹیوں کی ایکٹ 2017 کے تحت کی گئیں جو کہ بورڈ آف ڈائریکٹرز کی جانب سے تسلیم شدہ ہیں اور اس سالانہ جائزہ رپورٹ میں دی گئی ہیں۔

بورڈ اور بورڈ کی کمیٹیوں کی کارکردگی کی قدر پیمائی

بورڈ کی جانب سے مجموعی طور پر بورڈ اور اس کی کمیٹیوں کی کارکردگی کی قدر پیمائی کا ایک جامع طریقہ کار ترتیب دیا گیا ہے۔ بورڈ اور اس کی کمیٹیوں کی کارکردگی کی قدر پیمائی ہر سال تھرڈ پارٹی کے ذریعے کروائی جاتی ہے۔ بورڈ کی جانب سے قدر پیمائی کے لیے میسرز KPMG کا تاثیر ہادی اینڈ کو، کو بطور آزاد ایکسٹرنل کنسلٹنٹ مقرر کیا گیا۔ ایکسٹرنل کنسلٹنٹ سے آخری قدر پیمائی سال 2017 کے لیے کروائی گئی۔

کنسلٹنٹس کی جانب سے بورڈ اور اس کی کمیٹیوں کی کارکردگی کی قدر پیمائی آزادانہ طور پر کرتے ہیں جس سے قانونی تقاضوں کی تعمیل اور بورڈ کی کارکردگی میں حوصلہ افزا اضافہ ہوا ہے۔ کارکردگی کی قدر پیمائی کے لیے ان کا نقطہ نظر کثیر الجہتی جیسے منٹس، ایجنڈا اور مزاحم آف ریٹرنس، تصوراتی سرویز، بینر مینجمنٹ اور اختیارات کے حامل تفویض افراد سے اسٹریکچرڈ انٹرویوز پر محیط ہوتا ہے۔ ان کی رپورٹ میں بورڈ کے اجلاسوں کی تفصیلات بھی شامل ہوتی ہے جس کے لیے ڈائریکٹرز کے ساتھ انٹرویوز بھی منعقد کیے جاتے ہیں، جن میں بورڈ کے کردار، بورڈ اور اس کی کمیٹیوں کی تشکیل اور بورڈ ڈائریکٹرز کا انفرادی تجربہ بھی دیکھا جاتا ہے۔

بینک کا درجہ اول Tier-1 کیٹیبل سرمائے اور CAR کا ریشو 31 دسمبر 2017 کے مطابق 15.95% اور 11.63% سے بڑھ کر 31 دسمبر 2018 تک بالترتیب 16.35% اور 12.10% ہو گیا۔ یہ کم از کم ہدف 11.28% اور 11.90% سے بڑی حد تک زیادہ ہے۔

کریڈٹ ریٹنگ

NBP کو پاکستان کی دونوں تسلیم شدہ کریڈٹ ریٹنگ ایجنسیوں نے AAA ریٹنگ دی ہے۔ جون 2018 میں M/S JCR-VIS کریڈٹ ایجنسی نے بینک کو دوبارہ AAA ریٹنگ دی ہے جو پاکستان میں کسی بھی بینک کو ملنے والی کمپنی کی سب سے بڑی ریٹنگ ہے۔ جبکہ PACRA نے بھی بینک کو طویل مدتی AAA (ٹریپل اے) اور قلیل مدتی ریٹنگ A+ (اے ون پلس) دی ہے۔

اندرونی مالیاتی انضباط کا نظام

بورڈ انتظامیہ کی جانب سے تیار کردہ اندرونی انضباط کے نظام بشمول انتظامیہ کی جانب سے ICFR کی تفصیلات کو ظاہر کرتے ہوئے خوش محسوس کر رہا ہے۔ اندرونی انضباط پر انتظامیہ کا بیان اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

استخدام اور اداراتی سماجی ذمہ داری

بورڈ یہ تسلیم کرتا ہے کہ بینک کو سماجی طور پر ذمہ دار پبلک سیکٹر کمپنی کے طور پر چلانا اس کی اولین ذمہ داری ہے۔ بینک نے CSR کے اقدامات پر (2017 میں 58.3 ملین پاکستانی روپے) جبکہ اس سال کے دوران 77.7 ملین پاکستانی روپے خرچ کیے۔ بینک کی جانب سے اس سال کے دوران ادا کی گئی سماجی خدمتوں کی سرگرمیوں کی تفصیل بورڈ کی جانب سے اس سالانہ رپورٹ کے اداراتی استخدام کی رپورٹ کے حصے میں دی گئی ہیں۔

منصوبہ برائے تسلسل کاروبار

بورڈ انتظامیہ کی جانب سے تیار کردہ بینک کے منصوبہ برائے تسلسل کاروبار کی توثیق کا اظہار کرتے ہوئے خوش محسوس کر رہا ہے۔

بیلنس شیٹ کی تاریخ کے بعد کے واقعات

ابھی تک بیلنس شیٹ کی تاریخ کے بعد ایسا کوئی نمایاں واقعہ رونما نہیں ہوا جس کے نتیجے میں فنانشل اسٹیٹمنٹس کے مواد میں تصحیح کی جائے، ماسوائے ان کے جو پہلے سے ظاہر شدہ ہیں۔

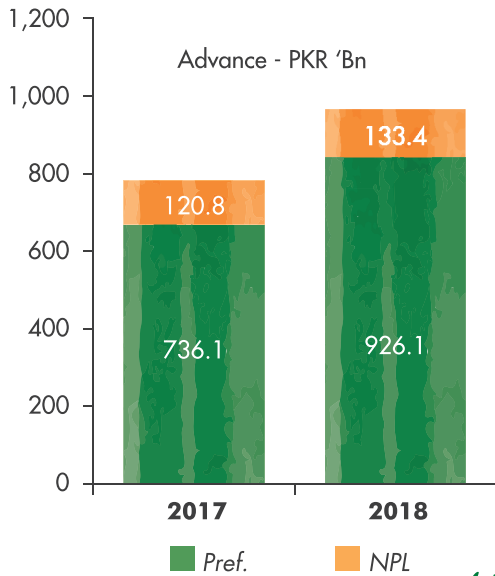
سی ای او اور بورڈ آف ڈائریکٹرز میں تبدیلی

10 اپریل 2018 کو میرٹل شیری مری اپنی تین سالہ مدت کی تکمیل پر بورڈ آف ڈائریکٹرز سے ریٹائر ہو گئے۔ بورڈ مری صاحب کے NBP کے بورڈ پر ڈائریکٹر کے طور پر فرائض کی بہترین سرانجامی کو قدر کی نگاہ سے دیکھتے ہوئے اظہار تشکر کرتا ہے۔ 28 اگست 2018 کو حکومت پاکستان کی فنانس ڈویژن کے نوٹیفیکیشن نمبر F.I(9)Bkg-III/2017-2455 کے تحت جناب سعید احمد کی جگہ جناب طارق جمالی کی بطور (قائم مقام) صدر تقرری ہوئی ہے۔

بیلنس شیٹ کی تاریخ کے بعد وفاقی حکومت کی فنانس ڈویژن نے نوٹیفیکیشن نمبر F.I(33)Bkg-III/2018-228 بتاریخ 12 فروری 2019 کے تحت جناب عارف عثمانی کی بطور صدر/چیف ایگزیکٹو آفیسر، تین سال کے لیے تقرری کی ہے جو کہ 12 فروری 2019 سے مؤثر ہے۔

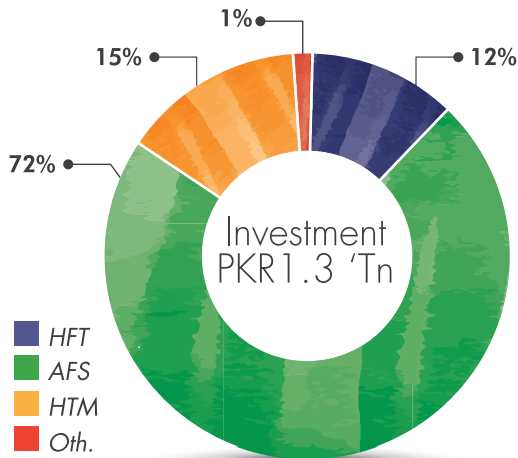


شرح کے ذریعے مخصوص تمویں 126.27 ارب پاکستانی روپے ہے۔ مزید برآں SBP کی جانب سے جاری کردہ موزوں قواعد کی ضروریات کے مطابق بینک نے صارفین اور SME ایڈوانسز کے مقابلے میں عام لون لاس یافت (تمویں) کو ضابطے میں رکھا ہوا ہے۔ 31 دسمبر 2018 کے مطابق عام تمویں کی مالیت ہے 7.2 ارب پاکستانی روپے۔ NPL سے مجموعی ایڈوانسز کی شرح میں گزشتہ سال کی 14.1% کے مقابلے میں 12.6% اضافہ ہوا ہے۔ خالص NPL کی شرح میں بھی گزشتہ سال کی 1.4% کے مقابلے میں 0.8% اضافہ ہوا ہے۔ سال کے دوران ڈیپازٹس میں انتہائی تیزی، اور قرضوں کی طلب میں محدود اضافے کے باوجود بینک کی (مجموعی) ADR دسمبر 2018 تک 52.7% پر نظر آئی جو کہ گزشتہ سال کی 49.6% کے مقابلے میں زیادہ ہے۔



سرمایہ کاری

بینک نے زیادہ سیالیت، کم خطر، اور حوصلہ افزا پیداوار کے حامل موثر سرمایہ کاری کے پورٹ فولیو کو برقرار رکھا ہے۔ 31 دسمبر 2018 تک بینک کی سرمایہ کاری (قیمت خرید) مالی سال 2017 کے اختتام تک 1,271.94 ارب پاکستانی روپوں کے مقابلے میں 1,276.29 ارب پاکستانی روپے ہے۔ بہتر سیالیت، ریٹ رسک مینجمنٹ کے لیے ہماری سرمایہ کاری زیادہ ترمیمیو ریٹز برائے فروخت کے لیے دستیاب، میں کی گئی ہے، جن کی مالیت 926.06 ارب پاکستانی روپے ہے جو کہ مجموعی سرمایہ کاری کا 72.56% ہے۔



درج فہرست کمپنیز کے عمومی حصص میں سرمایہ کاری بھی تمام بڑے صنعتی شعبوں کو اچھی طرح متنوع کرتی ہے، جس کی مالیت (2017 میں 23.20 ارب پاکستانی روپے) 2018 کے اختتام تک 26.01 ارب پاکستانی روپے رہی۔ ان سرمایہ کاریوں سے ڈیویڈنڈ اور کیپیٹل گین کے ذریعے حاصل ہونے والی آمدنی ہی بینک

کے لیے اصل منافع ہے۔ اس سال پاکستان اسٹاک ایکسچینج کی انڈیکس میں نمایاں کمی کے باعث درج فہرست حصص میں ہماری سرمایہ کاری کو خسارے کا سامنا ہر جس کی بنیادی وجہ اہم اور طویل معیار ہے، لیکن زیادہ تر خسارے میں کمی واقع ہوئی ہے تمویں میں واپسی کے باعث۔ اسی طرح بینک اپنی اس حکمت عملی پر عمل کرتا ہے کہ اپنی سرمایہ کاری جب ختم کرے جب محسوس ہو کہ مارکیٹ میں مزید بہتری کے امکانات کم ہیں اور دوسری جگہ پوزیشنز کے استعمال کے بہتر مواقع ہوں۔

ڈیپازٹس

NBP کی ڈیپازٹس 2 کھرب پاکستانی روپے کی حد کو پار کرنا بینک کے لیے ایک اور شاندار کامیابی تھی۔ بینک نے ایک مستحکم کاروباری نیٹ ورک قائم کیا ہے اور ملک بھر میں ڈیپازٹس کی وسیع رینج تک رسائی



حاصل کی ہے۔ ایسے ہی بینک کو ڈیپازٹس کا بے پایاں اعتماد حاصل ہے، ہمارے تقریباً فنڈز بنیادی صارفین کی ڈیپازٹس کے ذریعے ایک مستحکم فنڈ پیدا کرتے ہیں۔ ہماری ڈیپازٹس پروڈکٹس بشمول روایتی سیونگ

اکاؤنٹس، کال ڈیپازٹس، ٹرم ڈیپازٹس، یومیہ آمدنی اکاؤنٹس، سودی وغیرہ سودی طرز کے کرنٹ اکاؤنٹس وغیرہ پر مشتمل ہیں۔ کچھ ڈیپازٹس پروڈکٹس بینک کے لیے براہ راست فی آمدنی جیسے ناکافی فنڈز، فنڈز منتقلی اور ATM فی وغیرہ سے مستحکم آمدنی پیدا کرتی ہیں۔

زیر جائزہ سال بینک کے ڈیپازٹس میں 284.28 ارب پاکستانی روپے کا اضافہ ہوا، جس کی مالیت 2,011.39 ارب پاکستانی روپے یعنی 16.46% ہے جو کہ 2017 کے ختم شدہ سال کے 1,727.10 ارب پاکستانی روپے سے زیادہ ہے۔ بینک نے اپنی ڈیپازٹس خصوصاً کم مالیت کی کرنٹ اور سیونگ (CASA) ڈیپازٹس کی بنیاد کو وسیع کرنے کے لیے جارحانہ حکمت عملی کو اپنایا ہے۔ مجموعی کرنٹ ڈیپازٹس میں 248.3 ارب پاکستانی روپے یا 29.1% تک اضافہ کیا ہے، جو کہ 31 دسمبر 2017 کو 853.8 ارب پاکستانی روپے سے 31 دسمبر 2018 تک 1,102.1 ارب پاکستانی روپے ہو گیا ہے۔ کرنٹ اور سیونگ اکاؤنٹس (CASA-Domestic) کی شرح 31 دسمبر 2017 میں 81.4% تھی، اس کے مقابلے میں 31 دسمبر 2018 میں 82.2% ہو گئی۔ اس سال ڈیپازٹس کے تحفظاتی پریزمیم کی مدد میں بینک نے 468 ملین پاکستانی روپے جمع کرائے۔

سرمائے کی مضبوط بنیاد

NBP حال ہی میں SBP کی جانب سے 'SIB' Systemically Important Bank کا درجہ حاصل کرنے کے بعد Basel اور SBP کے قائم کردہ رہنما قواعد اور ریگولیٹری کی تعمیل کے لیے موثر منصوبہ سازی کر رہا ہے۔ CAR کی کم از کم ضرورت میں 1.5% اضافہ 31 مارچ 2019 تک موثر رہے گا۔

بینک کا اٹل CET-I کیپیٹل 16.35%
4.45%
Above the minimum required

دسمبر 2017 کے 105.7 ارب پاکستانی روپے سے بڑھ کر 31 دسمبر 2018 تک

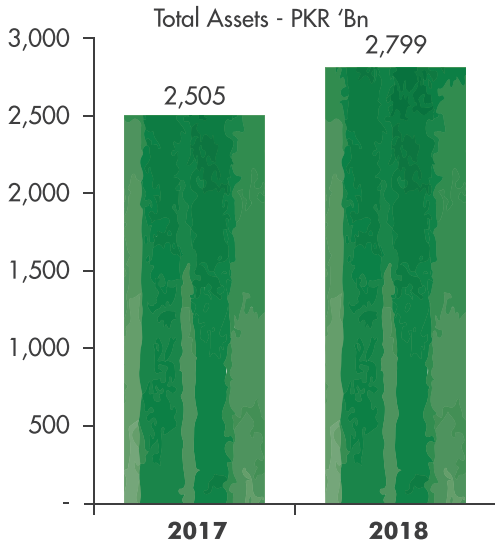
124.8 ارب پاکستانی روپے ہو گیا ہے۔ یہ اضافہ اس سال کے دوران منافع میں بہتری کی بدولت ہوا ہے۔ جبکہ ہماری درج دوم Tier-II کیپیٹل کی اہلیت جامد اثاثہ جات کے دوبارہ تخمینے پر سرپلس میں اضافے کی بدولت 6.2 ارب پاکستانی روپے ہے۔



مالی صورتحال کا جائزہ

31 دسمبر 2018 کے مطابق بینک کے مجموعی اثاثہ جات کی مالیت 2,798.6 ارب پاکستانی روپے ہے جو کہ مالی سال کے لیے 11.70% حوصلہ افزا اضافے کو ظاہر کرتی ہے۔ اسٹیٹ بینک آف پاکستان نے 31 دسمبر 2018 کو ختم شدہ سال کی مد میں سالانہ فنانشل اسٹیٹمنٹس کے لیے نظر ثانی شدہ فارمیٹ مقرر کیا ہے۔ جس سے فنانشل اسٹیٹمنٹس میں دیے گئے 2017 کے اعداد و شمار کا اس سال سے تقابلی موازنہ کو سمجھنے میں بہتری اور آسانی ہوئی ہے۔ فنانشل اسٹیٹمنٹس کے فارمیٹ میں تبدیلی کی وجہ سے دوبارہ اعداد و شمار کی تفصیل کے مطابق بینک اثاثہ جات میں 383 ارب پاکستانی روپے یعنی 16% اضافہ ہوا ہے۔

سال کے دوران بیلنس شیٹ کے تمام اہم اجزاء میں حوصلہ افزا اضافہ دیکھنے میں آیا۔ سال کے دوران بینک کی جانب سے زمین اور عمارتوں کا دور بارہ تخمینہ کروانے کے نتیجے میں 21.8 ارب پاکستانی روپے کی مالیت کا اضافہ ہوا۔ بینک نے موزوں انتظام سے اثاثہ جات اور واجبات کو مستحکم فنڈ کی پیداوار سے سنبھالا جس سے فنڈز میں استحکام حاصل ہوا اور اسی طرح کثیر آمدنی کے ذرائع اور زیادہ سے زیادہ پیداوار کی پیشکش اب تک حاصل ہو رہی ہیں۔



قرضہ جات اور ایڈوانسز

اس سال ہماری لون بک نے کھرب روپے کی بلند ترین حد کو چھو لیا کیونکہ ہم نے اپنی دورانہ پیشی سے معیشت کے تمام شعبوں کے معیاری قرضہ داران کے لیے لون بک کو مسلسل وسعت دیتے رہے ہیں۔ یہ اضافہ کارپوریٹ، انفراسٹرکچر، SME کموڈٹی اور کزنٹیو قرضہ جات کا اہم ثبوت ہے۔ اس سال کے جائزے سے پتہ چلتا ہے کہ بینک کے مجموعی ایڈوانسز 202.5 ارب پاکستانی روپوں یا 23.6% سے 1,059.5 ارب پاکستانی روپوں تک بڑھ گئے جو کہ گزشتہ مالی سال کے اختتام تک 856.9 ارب پاکستانی روپے تھے۔ بینک کے خالص ایڈوانسز کی مالیت سال 2017 کے اختتام تک 739.8 ارب پاکستانی روپوں سے بڑھ کر اس سال 926.0 ارب پاکستانی روپے یعنی 25.17% زیادہ ہو گئی ہے۔ ہماری لون پاکستانی روپوں میں مجموعی ایڈوانسز کی نمایاں 91.53% کو عیاں کر رہی ہے۔ اس سال ہماری کارپوریٹ لون بک 27.16% یعنی 522.18 ارب پاکستانی روپے (مجموعی) اضافے کے ساتھ ہماری ہم درجہ بینکس کے درمیان ہمیں ایک ممتاز حیثیت کا حامل بناتی ہے۔

NBP حال ہی میں SBP کی جانب سے "SIB" Systemically Important Bank کا درجہ حاصل کرنے کے بعد سرمایہ کاری میں اضافہ سے وابستہ ضروریات کو پورا کرنے کے لیے مؤثر منصوبہ سازی کر رہا ہے۔ لہذا SBP ریگولیٹری ضروریات کے مطابق موزوں اور محتاط طریقے سے NPLs کی تمویل کی جا رہی ہے۔ بینک کے مجموعی NPL کی مالیت 133.36 ارب پاکستانی روپے کے ساتھ 94.68% موزوں

رہی جو بینک کے مجموعی NPL کا 70.62% ہے، یہ گزشتہ سال سے 5.76% زیادہ ہے۔ یہ اضافہ قرضہ لینے والے ایک ہی گروپ کے ایڈوانسز کی مکمل تمویل پر اس کے نادر ہندہ ہونے کے باعث ہے۔ جس کے لیے بینک نے قرضوں کے تحفظ کے لیے پہلے ہی موزوں قانونی اقدامات اور دیگر ضروری انتظامات کر لیے ہیں۔

بینک نے کریڈٹ پورٹ فولیو کو کم لگاتار خرابوں اور خطروں سے محفوظ رکھنے کے لیے SBP کی جانب سے جاری کردہ قابل اطلاق قواعد کی روشنی میں فہم و ادراک کے حامل اصولوں پر چلتے ہوئے موزوں و مؤثر طریقہ تمویل کو اپنایا ہے۔ اس سال عام و مخصوص خالص تمویل کی مالیت بالترتیب 18.20 ارب پاکستانی روپے اور 580.83 بلین پاکستانی روپے ہے۔ (2017 میں 110.7 ارب پاکستانی روپے پر رہنے والے) مخصوص تمویل 31 دسمبر 2018 تک 126.3 ارب پاکستانی روپے پر ہیں، جو کہ 31 دسمبر 2017 کو 91.6% کے مقابلے میں 31 دسمبر 2018 کو 94.7% NPL کو ترجیح کو ظاہر کرتے ہیں۔

فی حصص آمدنی

بینک کو سال 2018 کے لیے 20.02 ارب پاکستانی روپے ٹیکس کے بعد کا منافع حاصل ہوا ہے جو کہ سال 2017 کے لیے ہونے والے منافع 23.03 ارب پاکستانی روپے سے 13.08% کم ہے۔ یہ سال 2017 کے لیے 10.82 روپے کے مقابلے میں 9.41 روپے فی حصص کی بنیادی اور دقیق آمدنی کو ظاہر کرتا ہے۔

منافع کا استعمال

بورڈ اس حقیقت سے واقف ہے کہ حصص یافتگان ڈیویڈنڈ بولس شیئر کی وصولی کی توقع رکھتے ہیں۔ اس لیے بورڈ نے پیش ڈیویڈنڈ دینے یا نہ دینے پر بڑا طویل غور و خوض کرنے کے بعد سفارشات تیار کی ہیں۔ یہاں یہ بھی بتادیں کہ بینک کبھی اور دیگر غیر متوقع چیزیں، باوجود کچھ مثبت اشاروں کے ابھی تک تشوش کا باعث ہیں۔ بورڈ کی سب سے اولین ترجیح بینک کے کاروبار کو جاری رکھنا ہے جس کا زیادہ تر انحصار بینک کے بنیادی سرمایہ کی مضبوطی پر ہے۔

اس لیے کچھ وقت کے لیے تمام منافع کو برقرار رکھنے کے لیے بینک نے بہت زیادہ محتاط رہنے کا فیصلہ کیا ہے، لہذا ایک بار صورتحال واضح اور مثبت ہو جائے تو بینک دوسرے مرحلے میں ڈیویڈنڈ کے اعلان پر غور کرے گا۔ لہذا بورڈ کی جانب سے سال 2018 کے لیے کوئی ڈیویڈنڈ دینے کا فیصلہ کیا گیا ہے۔

2017 کا جمع شدہ منافع اٹھانے کے بعد سال 2018 کے لیے پاکستانی ارب روپوں کے منافع کا درجہ ذیل تصرف ہے:

31 دسمبر 2018 کو ختم شدہ سال کے لیے ٹیکس	31 دسمبر 2018 کو ختم شدہ سال کے بعد منافع
29.68	20.02
11.86	54.06
(20.75)	0.16
18.56	0.10
9.67	74.34
	(2.0)
	72.34

عقلی افغان
جاری
گذشتہ سال
التولی

گزشتہ نمبر تصرف شدہ منافع
ٹیکس کے بعد کی دیگر خالص آمدنی
ٹیکس کے بعد کے جامد اثاثہ جات کا دوبارہ تخمینہ میں اضافی گوشواروں کی منتقلی
خرچہ جات کے لیے دستیاب منافع
تصرف تاقضے کے لیے منتقلی (ٹیکس کے بعد منافع کا 10%)
بقایا غیر تصرف شدہ منافع



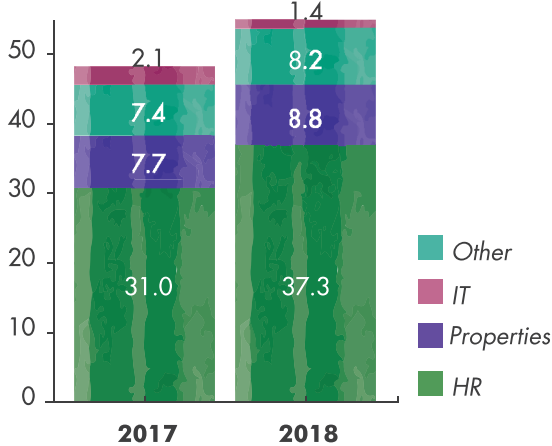
ارب پاکستانی روپے کے مقابلے میں اس سال 2.61 ارب پاکستانی روپے رہی۔ اسی طرح سیکورٹیز کی فروخت اور ریڈیشنز پر حاصل منافع یا گین میں بھی کمی دیکھنے میں آئی جو گزشتہ سال کے 6.48 ارب پاکستانی روپے کے مقابلے میں اس سال 39.3% یا 55.5 ارب پاکستانی روپے کی کمی سے 13.93 ارب پاکستانی روپے رہی۔ اس کی اہم وجہ PIB کی جانب سے کپینٹل گین کی آمدنی کی مقرر کردہ کم ترین سطح پر زیادہ سود کی شرح لاگو کرنے کی صورتحال رہی۔ پاکستان اسٹاک ایکسچینج کی ناقص کارکردگی کے منفی اثرات کم کرنے کے لیے ہم نے دیگر کاروباری سرگرمیوں میں اضافے کے ساتھ ساتھ غیر سودی آمدنی میں اضافے کے لیے ڈیجیٹل بینکنگ، بٹریڈنگ اور کیش منیجمنٹ جیسے مناسب اقدامات کیے ہیں۔

اخراجات کا انتظام

15.47% اضافے کے ساتھ سال 2017 کے 48.22 ارب پاکستانی روپے کے مقابلے میں اس سال کے مجموعی انتظامی اخراجات کی مالیت 55.69 ارب پاکستانی روپے ہے۔ سال 2017 کے لیے 31.04 ارب پاکستانی روپے کے مقابلے میں اس سال کے معاوضہ کے اخراجات کی مالیت 37.27 ارب پاکستانی روپے ہے جس میں افرادی قوت کو فراہم کردہ مراعات کے اخراجات ہیں جو کہ انتظامی اخراجات کا مجموعی 66.93% ہے، اور یہی اخراجات میں اضافے کی بڑی وجہ ہے۔ تنخواہوں اور الاؤنس میں 5.2 ارب پاکستانی روپے یا 20.1% اضافہ ہوا جو کہ ملازمین کی گن کے ساتھ سخت محنت کی قدر دانی کے طور پر اعلان کردہ پے پیکیج کی بدولت ہے یہ یکم جنوری 2018 سے لاگو ہوا۔

اخراجات میں 13.86% اضافہ پراپرٹی سے متعلق امور پر خرچ کرنے سے بھی ہوا ہے، جس کی مالیت 8.76 ارب پاکستانی روپے ہے جو کہ سال 2017 کے دوران 7.70 ارب پاکستانی روپے تھا۔ اس سال ہم نے کاروباری حدود میں کئی طرح کی تجدیدوں کو اپنایا ہے اور بڑے پیمانے پر لیز / کرایہ کے معاہدے نظر ثانی کرتے ہوئے نئی شرائط پر کیے ہیں۔

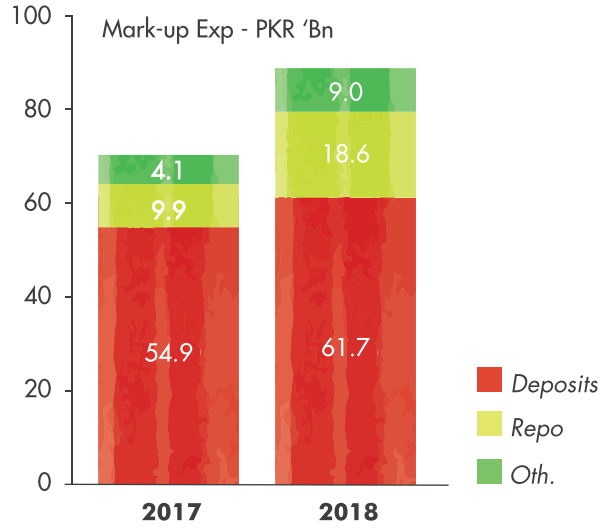
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بینک نے انتظامی اخراجات کے موثر نظم و نسق کے لیے کثیرہ جہتی حکمت عملی تیار کی ہے۔ اس کے تحت کیے جانے والے اقدامات میں کاروباری عمل کی آٹومیشن، اسٹریکچر کو از سر نو منظم کرنا، لازمی اور یقینی اخراجاتی امور کو مرکزی انتظام کے تحت لانا اور سیکورٹی گارڈز کو ڈیجیٹل سیکورٹی نظام سے تبدیل کرنا شامل ہیں۔

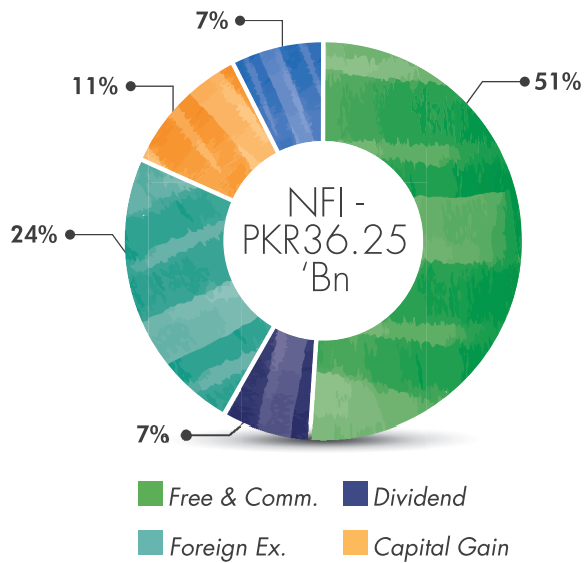
قرضہ جات کی تمویں اور نقصان

سال 2018 کے دوران بینک کو غیر فعال قرضہ جات (NPL) میں 10.4% خالص اضافے کا تجربہ حاصل ہوا جس کا حجم 31 دسمبر 2018 تک 133.4 ارب پاکستانی روپے پر کھڑا ہے جو کہ گزشتہ سال سے 12.56 ارب پاکستانی روپے زیادہ ہے۔ گزشتہ ختم ہونے والے مالی سال کے 31.75 ارب پاکستانی روپے کے مقابلے میں اس سال سمندر پار NPL کی مالیت 39.18 ارب پاکستانی روپے ہے، اس 7.4 ارب پاکستانی روپے کا فرق امریکی ڈالر کے مقابلے میں روپے کی قدر میں کمی کی خوب صورت حال کا نتیجہ ہے۔ جبکہ 31 دسمبر 2018 تک بینک کے کل NPL کی مالیت 194.18 ارب پاکستانی روپے



غیر مارک اپ اسود آمدنی

ہم نے مستحکم مارکیٹ رسائی اور موقع مارکیٹ حصص کی حامل بینکاری کی بناء پر اس کی بنگری کی آمدنی میں 16.68% کا زیادہ منافع حاصل کیا۔ سال کے دوران ہماری غیر مارک اپ اسود آمدنی کی کل مالیت 36.25 ارب پاکستانی روپے رہی جو کہ بینک کی اس سال کی مجموعی آمدنی کا 37.4% ہے۔ نئی اور کمیشن کی مدد میں ہونیوالی آمدنی کی مالیت گزشتہ سال کے 16.77 ارب پاکستانی روپے کے مقابلے میں اس سال 18.53 ارب پاکستانی روپے رہی۔ جبکہ اہم ترین اضافہ بیرونی زرمبادلہ کی آمدنی میں دیکھا گیا جو کہ گزشتہ سال سے 6.24 ارب پاکستانی روپے سے بڑھ کر 2018 میں 18.49 ارب پاکستانی روپے ہو گیا۔ حصص کی خرید و فروخت کی سرگرمیوں کی حقیقت کو سمجھنے اور شہرت نتائج حاصل کرنے کی بناء پر زیادہ بیرونی زرمبادلہ اور شرح میں اضافہ حاصل ہوا ہے۔ امریکی ڈالر اور پاکستانی روپے کے مابین بڑی ایڈجسٹمنٹ 25% سے زیادہ رہی جس سے ہماری فارن ایکسچینج ڈیسک کے منافع میں اہم اضافہ دیکھنے میں آیا۔

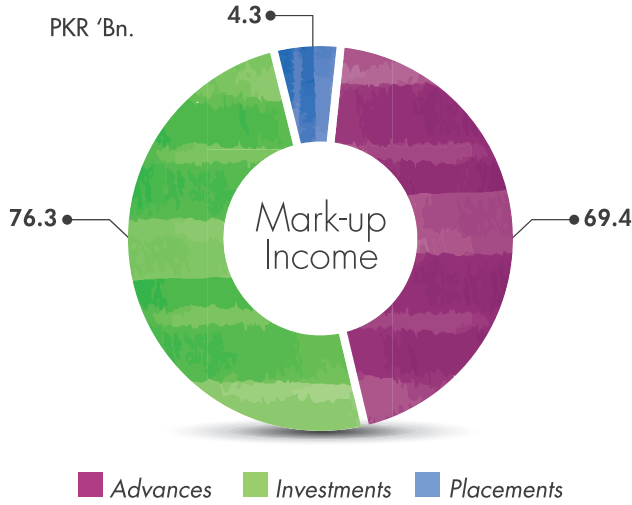


اس سال کے دوران پاکستان اسٹاک ایکسچینج کی کارکردگی دھیمی رہی، جس کی وجہ سے اس سال منقسمہ (ڈیویڈنڈ) اور سرمایہ پر منافع (کپینٹل گین) دونوں میں کمی ریکارڈ کی گئی کیونکہ کچھ کمپنیوں نے اپنا منقسمہ (ڈیویڈنڈ) منافع ظاہر نہیں کیا۔ ڈیویڈنڈ کی آمدنی میں کمی نظر آئی جو کہ سال 2017 کے دوران 3.82



سود کی آمدنی

سال 2018 کے دوران کمائی گئی بینک کی مجموعی مارک اپ / سود کی آمدنی 149.97 ارب پاکستانی روپے رہی جو گزشتہ سال کے 123.07 ارب پاکستانی روپے کے مقابلے میں %21.85 زیادہ ہے۔ یہ اضافہ بنیادی طور پر قرضہ جات کے حجم میں اضافے اور سرمایہ کاری دونوں ہی سے منسوب ہے اس کے ساتھ ساتھ اس سال کے دوران شرح سود میں اضافے نے بھی اثرات مرتب کیے ہیں۔ اس سال کے دوران خالص سود کی آمدنی مستحکم رہی، جس کی مالیت 60.67 ارب پاکستانی روپے ہے جو گزشتہ سال کے دوران ہونے والی آمدنی 54.25 ارب پاکستانی روپے کے مقابلے میں %11.82 زیادہ ہے۔



سال کے لیے کمائی گئی قرضوں اور ایڈوانسز پر سود کی آمدنی 69.36 ارب پاکستانی روپے یعنی گزشتہ سال کے 54.9 ارب پاکستانی روپوں کے مقابلے میں %26.4 زیادہ ہے۔ سال کے دوران تمام اہم پروڈکٹس جیسے کارپوریٹ، کمریٹی، کنزیومر، SME اور اسلامی بینکاری پر سرمایہ کاری اور ڈسکاؤنٹ ریٹ میں مسلسل اضافہ ریکارڈ کیا گیا۔

اس سال کے دوران سرمایہ کاری پر سود کی آمدنی 76.29 ارب پاکستانی روپے دیکھنے میں آئی، جو کہ گزشتہ سال کے لیے 66.45 ارب پاکستانی روپوں کے مقابلے میں 9.8 ارب پاکستانی روپوں سے یا %14.80 زیادہ رہی۔ بڑھے ہوئے ڈسکاؤنٹ ریٹ کی وجہ سے حکومتی بونڈز کی سودی شرح آمدن میں اضافہ ہوا ہے جو سود کی آمدنی کی مد میں اضافے کی وجہ بنی۔ جبکہ سود کی شرح سے متعلق خطرات پر ضابطہ سے ریٹرنز مزید بڑھائے جاسکتے ہیں، جس کے لیے بینک نے اپنے فنڈز کو زیادہ تر کم خطرات والی سیل سیکیورٹیز (sale-securities) میں لگایا ہے۔

مارک اپ سود کی مد میں اخراجات

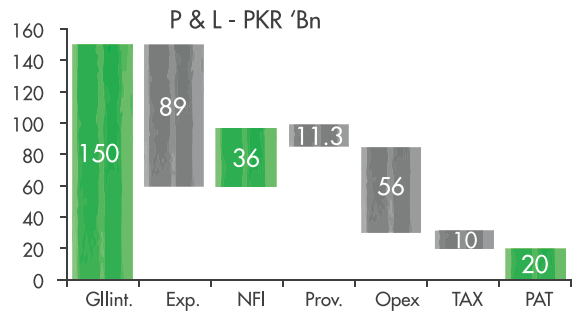
اس سال کے لیے مارک اپ / سود کی مد میں اخراجات 89.30 ارب پاکستانی روپے ہیں جو گزشتہ سال کے لیے 68.82 ارب پاکستانی روپوں کے مقابلے میں %29.76 زیادہ ہیں۔ بڑھے ہوئے ڈسکاؤنٹ ریٹ کی وجہ سے کم از کم ڈیپازٹ شرح منافع میں اضافہ ہوا جو، مارک اپ کی مد میں اخراجات میں اضافے کی وجہ بنی۔

ڈیپازٹس کے حجم میں اضافہ اور ٹریڈی بلز کے مد مقابل ریپوٹرانزیکشنز مارک اپ / سود کی مد میں اضافی اخراجات کا باعث بنے۔ ڈیپازٹس کی لاگت سود کی مد میں مجموعی اخراجات کا 61.70 ارب پاکستانی روپے یعنی گزشتہ سال سے %12.44 زیادہ رہی۔ سودی شرح میں اضافہ اور مختلف حالات میں مبادلہ / فارورڈ پوائنٹس کے نتیجے میں مبادلہ کی بڑھی ہوئی قیمتیں فنڈز کی مالیت میں اضافے کا باعث بنیں۔

میں سست روی اور شرح سود میں اضافے کے باعث قرضوں کی صورتحال پر بھی سخت دباؤ برقرار رہا گا۔ البتہ ٹھوس بنیادی سرمایہ و مستحکم فنڈنگ اور مانعیت بینکوں کی کلیدی طاقت کو برقرار رکھیں گی۔ غیر ملکی ترسیلات زر (ریمنٹنس) میں اضافہ اور بڑھی ہوئی مالی شمولیت کے باعث بینک کے لیے کم مالیتی ڈیپازٹس تیار کی گئی ہیں جس کے نتیجے میں فنڈنگ اور مانعیت کی صورتحال میں بہتری اور مانعیت پرانی بنیادیں مضبوط ہوئی ہیں۔

2018 کی مالیاتی کارکردگی کا جائزہ

سال 2018 کے لیے بینک قبل از متون 41.0 ارب پاکستانی روپے کا منافع فراہم کر رہا ہے۔ جو کہ گزشتہ سال کے لیے قبل از متون منافع 36.8 ارب پاکستانی روپوں کے مقابلے میں %11.4 زیادہ ہے۔ اس سال کے لیے 29.7 ارب پاکستانی روپے کی مالیت کا قبل از ٹیکس منافع ہوا ہے جو گزشتہ سال کے 35.6 ارب پاکستانی روپے کے قبل از ٹیکس منافع کے مقابلے میں %5.9 ارب پاکستانی روپے یا %16.6 کم ہے۔ قبل از ٹیکس منافع میں کی وجہ ایک ہی قرضہ لینے والے گروپ کے ایڈوانسز کی مد میں زیادہ متون ہے۔ گزشتہ سال کے 23.0 ارب پاکستانی روپوں کے مقابلے میں ٹیکس کے بعد کا منافع اس سال 20.0 ارب پاکستانی روپے درج ہوا ہے جو کہ %13.1 کم ہوا ہے۔ گزشتہ سال کے 10.82 روپے کے مقابلے میں اس سال فی حصص آمدن 9.41 روپے ہے۔



(ارب پاکستانی روپوں میں)

تفصیلی جھلکیاں

مالی سال	2017	2018	بہتر (بدتر)
خالص سود کی آمدنی	60.67	54.25	6.41 (11.82%)
علاوہ سود کے آمدنی	36.25	31.07	5.18 (16.68%)
مُل آمدنی	96.92	85.32	11.60 (13.59%)
آپریٹنگ کے اخراجات	55.69	48.22	(7.46) (15.47%)
تمون سے قبل منافع	40.98	36.79	4.19 (11.40%)
ٹیکس سے قبل منافع	29.68	35.60	(5.92) (16.62%)
ٹیکس کے بعد منافع	20.02	23.03	(3.01) (13.08%)
فی حصص آمدنی (روپوں میں)	9.41	10.82	(1.42) (13.08%)
مالی صورتحال			
کل سرمایہ کاری	1,284.32	1,295.72	(11.40) (0.88%)
کل قرضہ جات	926.01	739.77	186.24 (25.17%)
کل ڈیپازٹس	2,011.39	1,727.10	284.28 (16.46%)
مجموعی اثاثے	2,798.57	2,505.32	293.25 (11.70%)
خالص اثاثے	206.87	175.38	31.49 (17.95%)



سال 2018 کا جائزہ

قرضہ جاتی اور غیر قرضہ جاتی مالی ضروریات کو پورا کرتے ہیں۔ 2018 کے دوران، ہمارے کارپوریٹ بینکنگ گروپ نے مختلف کاروباری مراسم میں اضافہ بھی کیا ہے اور بینک کی خاطر خواہ آمدنی کے لئے موجودہ صارفین سے اپنی مالیاتی حصہ داری (wallet-share) بھی بڑھائی ہے۔

اسلامی بینکاری آپریشنز بینک کے لیے ایک اہم جزو رہا ہے۔ 2018 کے دوران اس کا رینج نیٹ ورک 169 سے بڑھ کر 192 تک پہنچ گیا۔ مزید یہ کہ پروڈکٹ مینو میں "NBP اعتماد" متعارف کرانے کے ساتھ ساتھ مالیاتی اداروں، سینئر سٹیٹیز، بیواؤں اور معذور افراد کو نفع دیتے ہوئے ان کے لیے خصوصی طور پر ڈیزائن کردہ پروڈکٹس کا اضافہ کیا گیا، جو کہ صارفین کو اس وقت مارکیٹ میں جاری پروڈکٹس سے زیادہ منافع فراہم کرنے کے ساتھ معاشرے پر اچھے اثرات مرتب کرنے کا باعث ثابت ہوئی گی۔

خطرے اور سرمایہ پر اکتفا کرنے کی ہماری مؤثر حکمت عملی کے مطابق بینک کے سرمایہ کاری پورٹ فولیو کو مؤثر انداز میں زیرِ رسک ٹریڈری انسٹرومنٹس اور دیگر سود مند مالیاتی ذرائع سے متنوع کیا گیا ہے۔ NBP کو حاصل AAA کی کریڈٹ ریٹنگ کا درجہ اور آؤٹ لک اس کے مستحکم سرمایہ کاری ساخت، مضبوط رسک پروفائل اور فرم رسک جذب کرنے کی صلاحیت ظاہر کرتا ہے۔

معاشی صورتحال

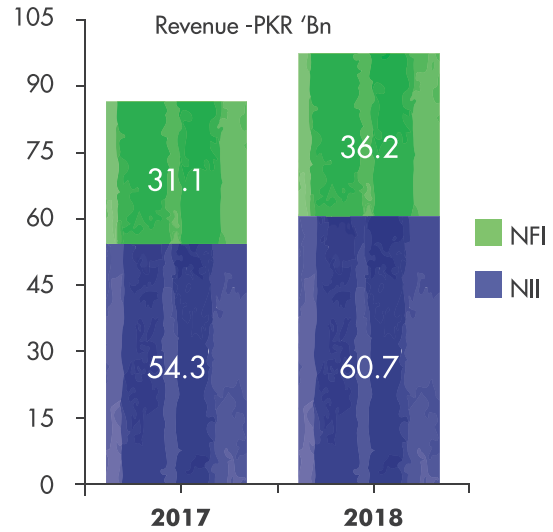
سال 2018 کے دوران عالمی معیشت مدہم رہی اور اقتصادی ترقی کی شرح کا تخمینہ 3.7% رہا ہے۔ جس کی باعث سال 2019 اور 2020 کے لیے پہلے ہی اقتصادی ترقی کی شرح پر نظر ثانی کرتے ہوئے تخمینہ بالترتیب 3.5% اور 3.6% کی سطح کا جاری کیا گیا ہے جو کہ ابتدائی تخمینوں سے 0.2 اور 0.1 کے پرتشیح پوائنٹس سے کم رہا ہے۔ یہ واقعات مارکیٹ کے رجحانات میں مالیاتی کمزوری اور بڑی معیشتوں کی جانب سے مایوس گن کارکردگی کی صورتحال کو ظاہر کرتے ہیں۔ افراط زر کے اثرات کے بارے میں خدشات جیسے تیل کی قیمتوں میں اتار چڑھاؤ اور کرنسی کی قدر میں کمی، مرکزی بینکوں اور مارکیٹ معیشتوں کو پالیسی کی شرح میں اضافہ کرنے پر اکساتے ہیں۔

مالی سال کے دوران قومی معاشی سرگرمی اور ترقی میں سست روی دیکھنے میں آئی۔ ملک میں زرمبادلہ کے ذخائر میں کمی اور ساتھ ہی روپے کی قدر میں کمی سے ادائیگیوں کے توازن پر مسلسل دباؤ بڑھتا جا رہا ہے۔ ملکی سخت مالیاتی پالیسی کے باعث مالی سال 2019 کے دوران GDP کی شرح میں 4.3% تک سست روی متوقع ہے (جو کہ 2018 میں 5.8% تھی)۔ ICPAC انفراسٹرکچر کے فیڈ سے آگے بڑھ کر اب دوسرے فیڈز میں داخل ہو چکا ہے، جو کہ اب صنعت و تجارت پر توجہ مرکوز کرے گا اور توقع کی جا رہی ہے کہ پاکستان میں ٹیکنالوجی اور مہارتوں میں اضافے کو بڑھایا جائے گا۔ بیرونی کمپنیاں پاکستان میں آٹوموٹو، ٹیلی کام، آئل و گیس، الیکٹرانکس وغیرہ میں سرمایہ کاری میں اپنی دلچسپی کا اظہار کر رہی ہیں۔ اس سے بیرونی مالی قوت میں اضافہ ہوگا جس سے ملک کے بیرونی اکاؤنٹس پر دباؤ میں کمی آئے گی۔ بیرونی محاذ پر کچھ برآمدات بڑھیں گی اور ورکرز کی ریمینٹس میں اضافہ ہوگا جو کہ جزوی طور پر کرنٹ اکاؤنٹ خسارے پر ضابطے میں معاون ہوگا۔ ان چیلنجز سے نمٹنے کے لیے حکومت نے سادگی اختیار کرنے، ترقیاتی اخراجات میں کٹوتی، ٹیکس مراعات جزوی طور پر واپس لینے کے ساتھ ساتھ بیرونی مالی خلاق پُر کرنے کے لیے نئے بیرونی راستے دریافت کرنے کے اقدامات کا آغاز کیا ہے۔ SBP نے بھی سخت مالیاتی پالیسی اور شرح سود میں اضافہ کے ذریعے اپنی استحکام دینے کی کوششوں کو تیز کر دیا ہے۔

مارکیٹ میں مروجہ ضوابط کے باعث بینکوں کی رسک پروفائل غیر مستحکم رہنے کا خدشہ ہے۔ معاشی سرگرمی

بینک اپنی سروس کے معیار میں بہتری، خود کو نئی ٹیکنالوجی کی تبدیلیوں سے آراستہ کرنے کے ذریعے کاروبار کے عملدرآمدی معیار کو مسلسل تقویت دیتا رہا ہے۔ ہم نے دوران سال حاصل ہونے والی نمایاں کامیابیوں کے لیے اپنے کاروبار کے مؤثر عملدرآمد، جدید ٹیکنالوجی اور افرادی قوت میں اضافے کی ضرورت کو سمجھتے ہوئے ان دونوں کے فروغ کے لیے کام کیا ہے۔ ٹیکنالوجی میں توسیع ہمیں سروس و پروڈکٹس کی آسانی و روانی سے فراہمی اور افرادی صلاحیتوں کو مالا مال بنانے میں معاونت کرتی ہے۔

بینکنگ انڈسٹری میں اپنی نمایاں حیثیت کو بحال رکھنے کے لیے NBP نے اپنی پروڈکٹس کی حد اضافے، اپنی کاروباری جہتوں کی دوبارہ ترتیب اور ڈیجیٹل اور بیوروکری کی جدید حکمت عملیوں کو اپنانے کے ذریعے مارکیٹ رسائی کی اپنی رفتار کو مزید وسیع کیا ہے۔



ہمارا ملکی سطح پر برانچز کا نیٹ ورک 1504 برانچز پر کھڑا ہے۔ بینک کے اس وقت 1350 اہم ترین ATM ہیں جبکہ ہمارے صارفین کی ضروریات کی تکمیل کے لئے ملک بھر میں مزید ATM نصب کیے جا رہے ہیں۔ ساحل سمندر کی سطح سے 4700 میٹر کی بلندی پر واقع پاک چائنہ ہارڈر بینک کے نصب شدہ ATM کو دنیا کا بلند ترین ATM نیٹ ورک ہونے کا اعزاز حاصل ہے۔ بینک سی بینک کے اہم روٹس پر مکمل اثر رکھتا ہے، جسے جہاں اور جیسے ضرورت پڑنے پر مزید وسیع کیا جائے گا۔

NBP اب 2.7 کھرب روپے سے زیادہ کی بیلنس شیٹ رکھنے والے کچھ بینکوں میں سے ایک ہے۔ ہمارا بینک قرضہ فراہم کرنے والے بڑے ادارے کے طور پر مارکیٹ میں اپنی ممتاز حیثیت کو برقرار رکھنے اور ملک میں مالی وسائل کے فروغ میں اپنا اہم کردار جاری رکھے ہوئے ہے۔ ہوم ریمینٹس کے بڑھتے ہوئے کاروبار کی مارکیٹ میں اپنا حصہ بڑھاتے ہوئے بینک نے ڈل ایسٹ میں کچھ نمایاں ناموں سمیت کئی براعظم میں بڑی تعداد میں اپنے نمائندے قائم کر کے ریمینٹس کا بہتر نظام قائم کیا ہے۔ ہماری پروڈکٹس جیسے "NBP فوری کیش"، "NBP فوری ٹرانسفر"، اور "NBP فوری ریمینٹس اکاؤنٹ" ہمارے صارفین کو کسی بھی قسم کی پریشانی سے پاک مالی حل پیش کرتی ہیں، جیسا کہ اکاؤنٹ میں فنڈز کی ترسیل کے بعد صارف کو ایک SMS Alert موصول ہوتا ہے، جس کے بعد وہ پاکستان بھر کے کسی بھی ATM سے رقم نکال سکتا ہے۔

SME سطح پر معاشی ترقی کو فروغ دینے کے لیے بینک نے پاکستان بھر کے مختلف شہروں میں کمرشل اور SME کریڈٹ سروس سینٹرز قائم کیے ہیں۔ یہ کمرشل کریڈٹ سینٹرز چھوٹے و متوسط سطح کے کاروباروں کی

محترم حصص یافتگان

بینک ہذا کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2018 کو ختم شدہ مالیاتی سال کے لیے آپ کو بینک کی آڈٹ شدہ سالانہ مالیاتی گوشوارے پیش کرتے ہوئے ہمیں خوشی محسوس ہو رہی ہے۔ بینک کے لیے یہ ایک اور کامیاب سال رہا ہے کیونکہ ہم نے اپنی بہتری کی اعلیٰ کوششوں اور مارکیٹ کے مواقع سے بہترین فائدہ اٹھاتے ہوئے بینک کی کارکردگی میں اضافہ کیا ہے۔ ہم نے اس سال کے لیے حکمت عملی کی جو جہتیں طے کی تھیں ان کی بدولت ہم نے بینک کو مختلف مالیاتی پروڈکٹس، مالیاتی جدتوں، سروس کے اعلیٰ معیار، ڈیجیٹل جدتوں کی تبادلہ، افرادی قوت میں اضافے اور اپنے شیئرز ہولڈرز کو دیگر شراکت داران کے لیے بلند منافع کے حصول سے معاشی ترقی میں شراکت داری کی بنیاد پر ایک ممتاز بینک بنایا ہے۔

ہماری کامیابی، ہماری با مقصد ٹیم کی مارکیٹ تک وسیع رسائی میں اضافے، مضبوط سرمایہ کاری اور کریڈٹ ریٹنگ کی بنیاد پر غیر معمولی اور مضبوط بیلنس شیٹ، کسٹمر کا بھروسہ، برانڈ کی عوامی توثیق با مقصد ٹیم کا اظہار ہے۔ بینک کو معاشرے کے تمام حصوں کی تمام کاروباری ضروریات کو پورا کرنے خصوصاً تیزی سے بڑھتے ہوئے شعبوں جیسے SME، اسلامی بینکاری، ہوم ریٹیننسز، صنعت و تجارت اور کیش مینجمنٹ میں پاکستان کا بہترین و جدید ترین بینک بنانا ہمارا عزم رہا ہے۔

ڈائریکٹرز کی رپورٹ
برائے حصص یافتگان





Group Performance Review

Corporate Baking

CBG at NBP handles a corporate portfolio exceeding PKR 850bn (made up of loans/TFCs/non-funded obligations/deposits/etc.) making it one of the largest corporate portfolios amongst all banks in Pakistan. CBG's well diversified business portfolio comprises of exposures in major sectors including Energy/Power, Textiles, Telecommunications, Fertilizer, Fast Moving Consumer Goods, Cement, Sugar, Steel, as well as exposures to many other important segments of our national economy.

With Regional Corporate Centers located in all the major business hubs of Pakistan, namely Karachi, Lahore, Islamabad, Faisalabad, and Multan – CBG's well trained business professionals work tirelessly as a "one-stop-shop" to deliver universal banking services to NBP's corporate & institutional clients. These include a full range of customer-centric banking products & services including but not limited to working capital finance, term finance, foreign exchange loans, transactional banking services, inward & outward remittances, business-to-business collections & payments, trust services, custodial services, structured trade finance, bill/receivable discounting, cash management services, & advisory services, etc. just to name a few. The CBG client coverage team also works very closely with NBP's other product partners (InvBG, Cash Management, Trade, Treasury, etc.) to offer suitably tailor-made solutions based on our client's risk profile and specific business needs.

Some major initiatives undertaken by CBG so far include:

- Introduced a well-integrated approach to relationship management
- Improved asset quality by booking loans of high quality
- Diversified business portfolio by establishing several new relationships
- Created a more efficient & nimble organizational structure with experienced client executives who are credit trained
- Completed refurbishment and upgradation of Regional Corporate Centers & Corporate Branches in Lahore & Islamabad. Similar refurbishment/upgradation is being planned & undertaken for Karachi, Faisalabad, & Multan.

As a result of the above structural changes and strategic initiatives, CBG was recognized as a major contributor to NBP's bottom line in 2018 as it continued to show consistent and sustainable growth in by exceeding its YTD targets.

Commercial, Retail Banking

Commercial Retail Banking Group (CRBG) is the largest group serving almost 80% of NBP's customers. 2018 has been a phenomenal and an award winning year as well. CRBG has been awarded for Rural Bank of the Year Pakistan and Consumer Product Finance Product of the Year Pakistan by Asian Banking & Finance Awards 2018, in September 2018. CRBG also created history & achieved ever highest CRBG profit i.e. PKR 34 billion. With 24/7 monitoring in 2018, CRBG achieved History/Industry highest ATM uptime i.e. 97% especially on EID's/Muharram & other occasional holidays.

Structure of CRBG was redefined in 2018 encompassing entire activities of branch banking thus strengthening support apparatus and operational systems that facilitate business. In 2018, Field Structure was re-organized into 37 regions and for effective & convincing monitoring, Regions were divided in Four (4) Networks/Clusters supervised by Network Monitoring Heads (NMHs) with predominant function of Business Growth. The post of NMH was created as extended arms of the Group Chief with partly handling Head Office policy affairs and also supervising all branch banking activities of respective networks. Better internal control, ambiance and branch uplift remained under focus along with addressing business growth.

CRBG markets its products through a large network of around 1307 branches; through its variety of products by managing two aspects of balance sheet Liabilities (deposits) and Commercial, SME, Commodity, Consumer and Agricultural Loans (Assets) and takes pride in serving numerous public sector institutions.

CRBG's total Deposits Portfolio has increased 16.28% i.e. Rs. 248.6 billion with the 20.82% increase in Current Account portfolio and 12.99% increase in Saving Account portfolio. CRBG total Advances Portfolio increased exponentially in 2018 by 21.48% i.e. Rs. 63.9 billion in comparison to previous year. In SME sector 41.32% increase was registered YoY in regular advances. In commercial regular advances mammoth increase of 172.49% was observed in YoY comparison. In consumer financing a substantial YoY increase of 17.56% was seen. During this period, NBP achieved the highest ever disbursement target assigned by State Bank in Agriculture financing. In Agriculture, the Bank was able to disburse Rs. 180 billion to more than 240,000 customers. CRBG has been able to reduce its NPL to the tune of 57.81 % from the base figure





devoid of legacy portfolio for which separate effort and treatment is being made. With these figures, CRBG posted a pre-tax profit of Rs 34 billion being 55.1% higher than previous year.

As a result of the above initiatives, the CRBG remain a major contributor to NBP's bottom line profitability. CRBG with the help of support groups, has substantially improved the service quality and branch ambience with up keeping/renovation of about 350 branches.

These achievements were just the start up drill for CRBG. In 2019 CRBG plans to turn the tables with special emphasis on effectiveness of internal control, improvement in service standards, higher financing in SME and Agriculture sectors thus contributing towards economic growth of the Nation and The Nation's Bank.

Treasury & Capital Market

NBP's Treasury & Capital Markets Group is a custodian of NBP's investment book of more than PKR 1.25 Trillion. The objective is to effectively manage the liquidity in a risk averse manner in line with Bank's overall strategy and contribute towards the overall profitability. The strategic objective is to align our investments in order to benefit from the yield curve variability. Treasury function comprises of four specialized segments i.e. Financial Markets Trading, Equity Markets, Sales & Structuring, Asset Liability Management.

NBP Treasury plays a pivotal role in managing interest rate risk, exchange rate risk and equity investment risk along with underlying margins and mismatches in assets and liabilities.

NBP's Treasury is among the market leaders in terms of volume & market making in Foreign Exchange and Rupee denominated products. In order to meet our customers growing demand for financial solutions and their banking requirements, the Treasury & Capital Markets Group progressively thrives to develop diversity in our products to offer high-quality, efficient and professional services to our diversified customers across the country. We at NBP's Treasury maintain cordial relationships with clients, manage foreign exchange risks, ensure funding requirements through internal & external sources and generate return from equity investments to supplement bank's profitability. TCMG's foreign exchange desk offer facilitation to diversified client base and stand out amongst the peer banks with a contribution of nearly PKR8.5 Billion in the outgoing year.

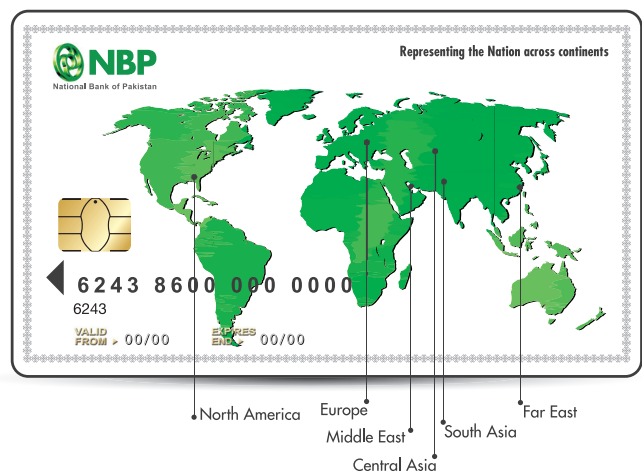
Treasury Group focused on internal and external customer satisfaction. The business objective is to provide customized business solution for the clients and offer services to satisfying customer needs. Treasury maintains close rapport with Corporate Banking and Commercial & Retail Banking Groups, provide suitable instruments and tailor made solutions to meet client specific needs. Dedicated sales desk provide services to all stakeholders and strive to maintain high standard of service quality throughout interaction and customer transactions.

To improve the client services, the Treasury & Capital Markets Group prefers regular interaction with clients and conducted process improvement exercises to ensure better client service. The relevant supervisors ensure attending to customer needs on timely and accurately as required.

International Banking

With International Branches / Offices in 19 countries, NBP is one of the largest International franchises amongst Pakistani Banks. Our focus is on Trade Finance, syndication, LC confirmation, FI business, Correspondent Banking and remittances business. International operations of the bank comprises of 21 branches spread over North America, Europe, Far East, Asia, Middle East & the only Pakistani bank having three Branches in Central Asia and two fully owned subsidiaries in Central Asian countries; and representative offices in Beijing, Toronto and Tashkent.

Since 2015, global economic activity remained subdued. Despite all the challenges, global slowdown and monetary policy shifts; International Branches were able to achieve growth. The International branches will keep striving to provide better services to its clients and cater to banking needs of locals as well of Pakistani nationals living abroad. International operations will continue to explore new avenues to ensure increase in deposit base and trade business to reflect improvement in its funded and non-funded Income. We have already strengthen our IT system and will continue to further strengthened I.T platforms at International branches to ensure efficiency and improvement through establishing effective Compliance controls. In coming years NBP will further enhance its foot print by entering potential new markets.





Investment Banking

During the year 2018 InvBG continued to maintain NBP as a leading investment bank in Pakistan with the skillset to structure and successfully close complex transactions as mandate and also significantly participate in them. The services of InvBG include, inter alia, advising and arranging debt and bond issuance, arranging and structuring syndicated loans and project finance facilities for Green-field/Brown-field projects especially in the area of manufacturing of construction materials, power generation and infrastructure development.

InvBG in 2018 participated in the financing of the construction of three major Thar Coal-based Power Projects, which, when completed, will provide power generated from indigenous fuel and save precious foreign exchange for Pakistan. In line with its objective of introducing innovative products for its Customers, NBP Investment Banking closed transactions with innovative financing structure for arrangement of foreign currency loans from numerous international financial institutions. Moreover, the Group in coordination with NBP overseas operations has started to establish its footprint in international syndicated financing transactions. In year 2018, InvBG closed transactions amounting to over PKR 105 Billion.

The Group being a leader in the local financial sector continues to aggressively work to provide innovative financial solutions for its Customers through Islamic modes of financing (especially with the Sukuk structure). During the last two years InvBG has successfully structured and arranged investment amounting to USD 1.58 Billion under Sukuk issues which will go a long way in contributing to the development of Pakistan's capital markets.

The vision of InvBG is to continue its leading position in the country by providing innovative structured financial solutions at international standards to its Clients as well as by financing the infrastructure projects of national interest. The group has its own significance not only among the banking circle but also due to its contribution towards the development of Pakistan's infrastructure development.



Credit Management

The Credit Management Group plays a multifaceted role in the process of credit approval and monitoring. Its Credit Approval Division (CAD) is responsible for risk assessment of loan applications forwarded by the Business Groups and approving or endorsing to the Competent Authorities for final decision. It helps booking of quality assets by curtailing exposure on high risk assets and support quality credit with better returns. Financial Institutions Wing (FIW) is another key function that engages in applying robust & responsible criteria to ensure prudent lending practices to FIs. In 2018 FIW strengthened the credit management function by implementing the new policy for enlistment of Insurance/Takaful Companies on Bank's panel. During the year, FIW reviewed and assessed country risk limits in conjunction with the review of country risk ratings to align them with business strategies and the Bank's risk appetite.

During the year, the Overseas Credit Control Wing re-organized itself to perform efficiently and effectively for timely escalation of Monthly & Quarterly positions of all branches, timely submission of data to SBP Audit & Internal Audit and realtime monitoring, with ITD & IBG, to improve reporting accuracy and monitoring effectiveness.

CMG's Research Division analyses key sectors of the economy in terms of relative risks and attractiveness, which helps business groups to set their goals and strategies. 37 micro-sectors (in addition to 35 corporate sectors) were added to this list during 2018 (in line with SBP policy for increasing SME/micro finance), considering relevance of these sectors to micro-finance customers.

Risk Management

Risk Management Group (RMG) is proactive in identifying, assessing, monitoring and controlling the risks associated with Banking Business. RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board Risk Committee (BRC). The group structure is constituted in a way so as to have a focused approach encompassing all material risks that the Bank may be exposed to. These risks are mainly categorized as: Credit risk, which is managed through a well-defined credit architecture including but not limited to tools / models development and assessment through frameworks; Market & Liquidity risk, which is managed through market risk management framework and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO); and Operational risk which is well-managed through operational risk strategy/framework of the Bank. Apart from above-mentioned risks, the Pillar-II risks fall under the ambit of Enterprise Risk Management and are managed accordingly.

The Bank follows a prudent path to risk management through developing / using effective tools to keep the Bank resilient, achieve corporate sustainability and minimize losses within the defined risk tolerance levels. Strategic goals, embedded into our approach to risk management are to maintain a robust framework, identify and escalate risks and support



sustainable business growth. RMG acts as a second line of defense in overall risk management structure of the Bank, assuming the role of establishing overall risk management framework, development of tools & systems for effective risk management, risk oversight along with review and reporting of deviations of activities from set standards, to Senior Management / BoD.

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

Credit risk: The major risk borne by the Bank, has been the focused area in terms of better quantification, assessment, and monitoring outlook through the development of Risk Rating (PD Model) framework, development of scorecards for consumer products such as NBP Cash & Gold, and NBP Auto Finance, and also the development of Desktop Retail Portfolio Review process.

Market risk: This is the critical risk from the perspective of better risk and return decision in the Bank; therefore, the designing and implementation of VaR Limits along with devising mechanism for foreign currency gap monitoring have been incorporated in the processes of the Bank. RMG has also strengthened Liquidity and Interest Rate Risk monitoring mechanism.

Operational Risk: Keeping in view current best practices, RMG has updated the Risk & Control Self-Assessment Templates, developed non-ICFR testing templates, and review/ updation of ORM Tolerance Limit and ORM Strategy Document. This will lead to enhancement of risk assessment and monitoring process from the perspective of Bank-wide operational risk, and also provide awareness in the Bank through conducting trainings and e-learning programs.

Information Security Risk: For better awareness, assessment, and confronting the emerging IT related risks related to increased adoption of IT based systems; Bank has revised the Information Security Policy backed by developing acceptable use of IT Resources Guidelines. Several information security governance initiatives such as development of Information Security Risk Management Framework, and Cyber-security Framework have been taken based on the regulatory requirements and best practices. An Information Security Portal on intranet has been developed providing real-time access to the Bank's information security related policies, guidelines, alerts and advisories. Online Learning Management System on information security and cyber-security for all employees of the Bank has also been launched. Furthermore, review of all the new systems/products with respect to information security risks has also been initiated both for in-house development as well as acquired systems.

Capital Adequacy: For better managing capital planning under the Internal Capital Adequacy & Assessment Process, and to further enrich risk assessment, monitoring, and forecasting process, RMG has added statistical tools for robust quantification of the residual risks to ensure accuracy in the overall process.

Credit Administration: RMG has taken the initiatives to enhance its existing functionalities through finalization of CAD Manual, initiative has also been taken for acquiring CAD software/ collateral management system in collaboration with ITG. Further, implementation of BPR & COSO project is in its final stages.

Information Technology

The IT Group is segregated into Infrastructure, Technology, Project Management, CBA Operations and Business Technology Transformation. ITG has deployed the Bank's core banking system bundled with third party applications





like SAP-HCM, SAP-FICO, AllProfit, Kondor+ etc. Recently, NBP has a formalized Business Continuity Plan (BCP) where ITG is one of the major stakeholder managing Disaster Recovery services for bank's systems and applications. The NBP's Disaster Recovery (DR) Site is located at IBM's location on Shahr-e-Faisal, Karachi. Currently, NBP has upgraded its DR services agreement with IBM to cover availability of Twenty-one (21) critical applications in case of failure/disaster at Head office/Primary site.

Following are some key developments during 2017-2018:

- Swift Version Upgrade
- Document Management system for Centralized Account Processing Unit.
- Acquisition of Security Information and Event Management (SIEM) Solution
- Vulnerability Assessment and Penetration testing activity of NBP Mobile Banking Application for identification of potential vulnerabilities and threat exposure.
- Common Reporting Standard System Compliance reporting for Organization for Economic Co-operation and Development (OECD) Countries
- Inter-branch Reconciliation (IBR) Dashboard.
- Foreign Account Tax Compliance Act (FATCA)-US Citizens Accounts reporting Prime Minister DAM Fund utility DAM Fund Reporting in MT103 Format – Automated Reporting
- Changes in ATM Settlement Program as per OPG directives.
- Automation of Punjab Property Tax (Across all Districts of Punjab) with real time validation of Challans in Profile.
- e-Remittance Integrated with Anti-terrorism act list
- Paypal API integration in ERM (COC Payments)
- AOS – Conventional & Islamic- Integrated with safe-watch (OFAC, UNSC, EU, ATA etc.)
- Consolidation & Upgrade of Business Application Databases (Phase 1 - 750+ branches)
- Development and approval of Internet Banking Security Framework, based on the guidelines provided by SBP.

- Biometric validation system for account opening.
- Successful implementation of AML and KYC Solution at Head Office and in NBP New York.
- Implementation of Core Banking Solution in Germany, France and Turkmenistan.

Audit & Inspection

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

The Audit & Inspection Group (A&IG) at NBP revised / updated its governing documents, policies and manuals during 2018. Changes have also been made in the Audit & Inspection Group in line with international best practices. Various training courses were also arranged for the audit staff to improve the professional skills. Audit issues were communicated to auditee management and are regularly followed for resolution.

Service Quality

Service Quality Group made valuable achievements during the year. It introduced "Branch Checklist" as an offsite inspection mechanism for drawing attention of Branch Management / Regional Management to physical layout and customer-friendly ambiance at branches. For better customer service quality, it introduced fresh Service Standards as Turn-Around-Time for 69 branch level activities pertaining to customers' transactions. Also, wearing of Name Tags by the Branch Staff interacting with customers was made necessary. SQG also introduced the "Meet & Greet Concept", introduction of "Customer Facilitation Desk" at selected branches where "Customer Facilitation Officer" was placed to guide and greet the visiting customers. As a tool of stakeholders' engagement, SQG conducted a "Telephonic Survey" to have customer feedback and gauge level of satisfaction with respect to quality of customer services.

During the year, SQG introduced "Branch Service Ladder" for





Branch Management to become aware of factors influencing quality of customer services and creating a conducive and competitive environment for Branch Management in attaining higher ranking and an elevated position on the "Service Ladder" by focusing upon these aspects. SQG Introduced more service quality focused courses / trainings relating to (i) Customer Service Excellence, (ii) Banking Conduct & Consumer Protection, and (iii) Customer Facilitation Officer. SQG also achieved a marked improvement in ATMs uptime through effective ATMs network monitoring, attaining an all-time record 97%+ ATMs uptime during prolonged holidays (Eid-ul-Fiter & Eid-ul-Azha).

SQG created a Service Quality field team comprising Service Quality Coordinators (Nos. 4) and Service Quality Officers (Nos. 31) for doing on-site assessment of service quality, spotting for addressing service quality issues, mystery shopping and assisting Branch/Regional Management to address service quality issues or resolve problems. They can also be engaged in conducting any in-house research for any SQ initiative or doing counselling with field officials to raise their skills levels and understanding in respect of 'prohibited conduct' and 'prudence conduct' that influences service quality to customers.

Logistics Support

Logistic Support Group (LSG) has worked closely with its internal clients to contribute in creating value for all stakeholders, predominantly through integration of projects and providing specialized support services that encompass Bank-wide requirements related to Engineering, Property & Premises, Security, Fleet Management, Stores & Stationary, Alternate Energy, etc.

In 2018, LSG has taken various initiatives towards exceeding its customer expectations. One of such initiatives was implementation of "LSG Help Desk" which now allows internal customers to have portal based one-window access into LSG's diverse functions, thus ensuring increased efficacy and easy tracking of requests in a paperless environment. "Ticket Management System" has been rolled-out to entertain requests related to all products and services originating from all areas and levels across the bank. LSG has also successfully implemented internal "Mail Management System" to log-in and forward correspondences flowing into LSG, consequently enhancing efficiencies, maintaining confidentiality, and providing less-paper environment at all levels within LSG.

During the year, LSG upgraded a significant number of business premises across the country in line with the Bank's New Standardized Branches Project (NSBP) to provide delightful work environment to the employees as well as customers of the Bank. LSG also successfully implemented "Engineering Management System"; a technology based internal mechanism to allow all concerned to view live status of ongoing and completed projects.

In order to ensure that the Bank is investing in quality products at competitive costs, LSG's Procurement & Property Division has successfully defined Bank's Centralized Procurement

function through embedding constructive grounds for vendor exclusion, thus keeping in view optimal standards, evaluation criteria and weightings; all crafted towards efficient deliverables to internal customers. Additionally, principles of proportionality and non-discrimination are always applied with the view to ensure transparency, efficiency and accountability at LSG. Further, the Division has successfully managed functions related to Bank owned & hired properties including hiring, acquisition, control, utilization, and disposition. In order to achieve a deeper rheostat over properties and premises, the Division has successfully infused "Property Management System" enabling all concerned to view records of owned and hired properties embedded in a comprehensive MIS, which now helps capitalize on its operational control and oversight of Bank-wide properties & premises.

"Fleet Management System" has been implemented to manage and maintain records of bank vehicles and also maintain real-time data of relevant expenses. LSG has also been proactive in taking security measures through conversion of conventionally guarded branches to Guard-less Branches (at night), and installation of Security Walkthrough Gates.

Operations

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

- Development and implementation of Government Business Module (GBM), improving overall settlement process of government receipts/payments
- Conversion of legacy pensioners into Direct Credit System (DCS) in line with Federal/Provincial Governments decision. So far overall 90% of the pensioners have been shifted to DCS.
- Under Phase-II of the SBP Currency management strategy, the Group pursued expansion of Cash Processing Centers (CPCs) and cash feeding branches network. Overall 106 CPCs have been made operational till now. The implementation of CMS has brought significant improvement in quality of currency in circulation, cash sorting, bundling and fake currency detection, besides reducing penalization in the subject area.
- The Group in coordination with stakeholders developed SoPs in respect of new storage mechanism for Gold Financing scheme, which catered better internal controls through introduction of plastic bags with proper maintenance of security guidelines.
- In coordination with SBP BSC, a proper mechanism has been established for sale of Premium Prize Bond
- Several policies have been updated/renewed by the Group during the year including Locker Policy, schedule of charges, etc.
- Completed the tasks of SWIFT system up-gradation from legacy to web-based.



- To meet the increasing challenge of AML/KYC, Operations Group has taken the initiative of Centralized Account Processing as highlighted by BPR-COSO consultants.
- The Group in coordination with ITG has successfully developed and implemented Auto-reconciliation software to address reconciliation issues of multiple channel transactions.

Legal

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

In the strategic pursuit of efficiency and controls, legal division is in the final stages of implementing a state of the art "Legal Management System", which aims to digitize the entire legal related workflows in the Bank. However, the most important aspect of the system is its business intelligence (BI) resources. The BI approach shall enable the management to review the most critical issues of the day including severity and potential shenanigans to take optimum decisions in managing the legal risks.

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

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

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

L&MDD

LMDD with the commitment of enhanced learning impact started the year 2018 with "Train The Trainer" program to hone trainers' skills to engage participants for brain storming and learn through activities, role plays and simulations. A

qualified and veteran trainer was hired for this program that gauged the skills and developed weak areas of our participating faculty members through focused activities.

Around 300 newly hired trainee officers were placed at all the four staff colleges for two month induction training on very short notice. There was a comprehensive and rigorous curriculum that polished the newly recruited officers into professional bankers. The training program was based on continuous assessment and evaluation through pre & post assessments, home assignments, presentations and role plays for inculcating professional etiquettes as well as sound values of ethics and morality in addition to commercial banking.

During the year 2018 training activities were organized strictly in line with TNA to cater to the training needs of employees across the Bank. 24983 employees were trained through in-house trainings at staff colleges, mobile training programs at region, e-learning and nominating employees for external trainings organized by well reputed training institutes. Total training hours achieved during the year 2018 were 352311 against 305385 in the year 2017 with 15% increase on the base figure.

During the 3rd quarter training programs were arranged for low performers at Staff College Peshawar in the light of Management Committee decision to develop demotivated employees, having ordinary skill level and job knowledge. It was a unique learning experience for participants which significantly increased motivation level and banking knowledge to enable them to perform well at the work place with positive attitude and team spirit.

Some special courses of significant importance arranged during the year include Customer Service Excellence and Banking Conduct & Consumer Protection for frontline employees of branches. 1884 employees were trained on CBA through a 3-day comprehensive training program based on pre & post assessments.

On e-learning front quizzes were developed for Staff on AML/CFT, Fundamentals of Islamic Banking, Information Security Foundation, Customer Relationship Form, Account Opening Form-F-559, Operational Risk Reporting Mechanism & Trade Finance. A total of 4381 employees passed the quizzes. This number has been included in 24983 employees trained.



Shariah Board's Report NBP Aitemaad - 2018

For the year ended December 31, 2018

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 the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the NBP Aitemaad Islamic Banking as of December 31, 2018.

Shariah Board Opinion:

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

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

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

Shariah Board is of the opinion that the NBP Aitemaad's overall environment, products, and agreements comply with the Shariah principles. However, during the Shariah review of financing portfolio, some anomalies were found for which Shariah Board has advised corrective actions to the management for rectification.

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

BoD has approved the initiative taken by the bank to implement the Shariah Governance Framework (SGF) as issued by SBP vide its Circular No.001-2018 dated June 7, 2018. SB has reviewed the implementation status of SGF and provided relevant guidelines to the Management. SB has advised the management to ensure zero tolerance on shariah non-compliance instances and to add an exclusive objective of ensuring Shariah Compliance as one of the Key Performance Indicator (KPI) in staff appraisal system.

3. Shariah Compliance Mechanism

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

4. Mechanism ensuring prohibited Income to Charity Account

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

An amount of PKR 176,693 was advised to be transferred to Charity Account during the year.

5. Profit and Loss Distribution and Pool management.

NBP Aitemaad Islamic Banking has an exclusive Pool Management Wing in place ensuring Shariah compliant pool management in line with a comprehensive Standard Operating Procedures (SOP) ensuring transparency in the working prior to distribution of profit and loss. Further SCD has also been reviewing Pool Management & Profit Distribution during the year 2018 in line with instructions issued by SBP. Moreover internal Shariah audit of pool management has been conducted on quarterly basis, which improved the process of pool management and profit & loss distribution and strengthened the compliance of Shariah guidelines.



Shariah Board's Report NBP Aitemaad - 2018

For the year ended December 31, 2018

6. Staff understanding of Islamic Banking and Finance:

Alhamdulillah, SB has imparted training / orientation to Bank's BoD on Islamic Banking & Finance during the year 2018. Further, SCD has conducted special training sessions to Relationship Managers and credit professionals of the bank enabling them to ensure shariah Compliance in financing transactions. In addition, prior conversion and at the time new staff induction, NBP-Aitemaad Islamic Banking imparts with collaboration of SCD 5 days basic Islamic Banking & Finance training sessions to abreast them with Islamic Banking basic concepts. Alhamdulillah, 282 staff have been trained in 23 sessions in 2018. The bank has also nominated its Shariah Compliance Officers for AAOIFI Shariah Standards course at renowned Business Institute which enhanced their shariah sanity and compliance skills. Moreover, SB and Shariah Compliance Team encourage all staff of Islamic Banking Group to float their queries via Ask-Shariah portal. This provides a platform for on the job training for them and supports day-to-day processes and customer management.

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

BoD has approved to hire adequate resource in two phases to SB. The first phase hiring on various positions has been executed. However, Executive Management is working to finalize the second phase hiring for SCD. We expect that the formalities are completed soon that shall enable to discharge the duties effectively. As SCD is an organ of SB that ensures the implementation of the directives issued by SB in its letter and spirit, it is vital that SB approves all hiring and posting of SCD staff.

Other Developments:

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

The Shariah Compliance teams have conducted review of 100% branches of NBP Aitemaad Islamic Banking Branches which includes offsite Shariah review of seventy one (71) Aitemaad Branches, onsite Shariah review of 99 Aitemaad Branches during the calendar year 2018. Further, SCD has also conducted monthly pre-disbursement shariah review of Pool management. In addition, Aitemaad Treasury, Marketing and Financing portfolio has also been reviewed during 2018 as required in SBP's SGF. The Shariah Compliance teams during their visit provided guidance to staff to ensure implementation of Shariah guidelines.

2. Approval of Branch Conversions:

Alhamdulillah, NBP-Aitemaad Islamic Banking has converted 22 branches during the year 2018 in addition to opening of 1 new branch, which lead the NBP-Aitemaad Islamic Banking branch network to 192 branches. SB has reviewed the conversion process and found the same in adherence with the approved process and guidelines.

3. Product Development:

Alhamdulillah, in 2018, NBP Aitemaad Islamic Banking has launched five (05) deposit products to their different segment based customers. Thereafter, twelve (12) products have been included in deposit's products menu. Further, three (03) deposit products namely (i) Aitemaad Merchant Account, (ii) Aitemaad Foree Remittance Account and (iii) Aitemaad Minor Saving Account have been approved by BoD of NBP and SBP which soon will be launched. At present, seven (07) financing products are being offered from NBP Aitemaad Islamic Banking platform wherein six (06) products for corporate / commercial / SME / Agri and one (01) for consumer.

4. Internal Shariah Audit:

Alhamdulillah, NBP has established its Internal Shariah Audit Wing (ISAW) as instructed in SGF. This was informed by the group that dedicated staff has been posted for conducting Shariah audit.

5. Asset Review:

NBP Aitemaad's overall assets have increased by 36% to PKR 59.798 billion as compared to PKR 43.975 billion of previous fiscal year. Islamic Financing increased by 41.60% to PKR 26.827 billion enhancing AIBG Finance to Deposit Ratio to 53% from 52% last year. Investments including Bai Muajjal now stood at PKR. 23.914 billion as compared to PKR.17.855 billion last year with 47% IDR.

6. Liability Review:

Aitemaad total deposits have shown a healthy increase by 39% to PKR.51.099 billion as on 31 December, 2018 as compared to PKR 36.908 billion last year. The increase in deposit is greatly attributable to the CASA deposit mobilization scheme which was launched during the year by AIBG management.



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7. Summary of Shariah Board Meetings Conducted During 2018:

SB had held six meetings during the year 2018 wherein several agendas were deliberated upon and resolved. The major approvals are summarized as follows:

- a. Inter Office Memo (IOMs)
 - i) Premature TDRs & Closed Accounts
 - ii) Creation of Special Pools and Standard Guidelines For Inter-Pool Transfer Of Assets
- b. Aitemaad Policies
 - i) Treasury Policy
 - ii) Comprehensive revised Charity Policy
 - iii) Running Musharaka Financing Policy With Condition of Automated System
- c. Ratification of already approved Policies
 - i) Profit & Loss Distribution and Pool Management
 - ii) Foreign Exchange Transaction
 - iii) Ijarah
 - iv) Murabaha
 - v) Diminishing Musharakah
- d. Internal Shariah Audit, Revised Aitemaad Hamsafar and Treasury Bai-Muajjal Manuals
- e. Shariah Compliance and Shariah Audit Annual plans
- f. Action recommendations on Shariah Compliance, Internal & External Shariah Audit Findings
- g. Implementation plan of revised SGF 2018
- h. Several Shariah researches conducted by SCD

Recommendations:

We recommend the Bank on the following matters:

- i. To improve and strengthen the Pool Management Wing by automation of the pool management and profit and loss distribution mechanism, according to the instructions of SBP, on priority basis.
- ii. To implement shariah compliant HR Policy and Staff Financing facilities for NBP Staff.
- iii. Shariah Board advised the Learning and Management Development Department (LMDD) and NBP Aitemaad Islamic Banking to develop entry /advance level specific/customized and focused training of all staff, practically, for Islamic Financing transactions of various modes for staff dealing with Islamic Financings to avoid complicated Shariah compliance issues.

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

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

Mufti Muhammad Imran
Resident Shariah Board Member
NBP – Aitemaad

Dr. Mufti Khalil Ahmad Aazami
Member Shariah Board
NBP – Aitemaad

Mufti Ehsan Waquar Ahmad
Chairman Shariah Board
NBP – Aitemaad

Date: February 22, 2019
Place: Karachi



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- 2- این بی پی کی مروجہ (کنونشنل) بینکاری برانچوں کی اسلامی برانچوں میں تبدیلی :
الحمدلہ! این بی پی اعتماد نے اس سال 22 مروجہ (کنونشنل) برانچوں کو اسلامی بینکاری برانچوں میں تبدیل کیا ہے، اور اس ساتھ ایک نئی برانچ کا بھی افتتاح کیا ہے جس سے این بی پی اعتماد کی برانچوں کی کل تعداد 192 تک پہنچ گئی۔ شریعہ بورڈ نے تبدیلی کے طریقہ کار کا جائزہ لیا اور اس کو منظور شدہ طریقہ کار اور ہدایات کے مطابق پایا۔
- 3- مصنوعات سازی (پراڈکٹ ڈیولپمنٹ) :
کی مصنوعات (پراڈکٹس) متعارف کروا ٹیہیں۔ جس کے بعد متعارف کردہ کھاتہ جات مصنوعات کی فہرست (Deposit side) الحمدلہ! سال 2018 میں این بی پی اعتماد نے مختلف طبقات کے صارفین کے لئے پانچ (5) کھاتہ جات کی مزید تین مصنوعات بنام ، 1- اعتماد مرچنٹ اکاؤنٹ 2- اعتماد فوری ریمٹنس اکاؤنٹ اور 3- اعتماد مائٹر سپونگ اکاؤنٹ اپنی جملہ شرائط کے ساتھ اسٹیٹ (Deposit side) کل (12) ہوگئی ہے۔ نیز کھاتہ جات بینک آف پاکستان اور نیشنل بینک آف پاکستان کے بورڈ سے منظور ہوگئی ہیں جنہیں عنقریب صارفین کے لئے متعارف کروادیا جائے گا۔ اس وقت این بی پی اعتماد کے پلیٹ فارم سے (7) سرمایہ کاری کی کے لئے ہے۔ (Consumer) مصنوعات صارفین کو مہیا کی جارہی ہیں ، جن میں سے (6) مصنوعات کارپوریٹ ، کمرشل ، ایس ایم ای اور زراعت کے شعبوں کے لئے ہیں جبکہ ایک عام صارفین
- 4- انٹرنل شریعہ آڈٹ :
الحمدلہ! این بی پی نے شریعہ گورننس فریم ورک کی ہدایات کے مطابق باقاعدہ انٹرنل شریعہ آڈٹ ونگ قائم کرلیا ہے۔ متعلقہ گروپ کی جانب سے دی گئی اطلاع کے مطابق شریعہ آڈٹ کے لئے مناسب عملے کی تقرری کردی گئی ہے، جو صرف شریعہ آڈٹ کے لئے مخصوص ہے۔
- 5- فنانسنگ اور سرمایہ کاری کا جائزہ :
این بی پی اعتماد کے مجموعی اثاثے، 2018 کے اختتام پر گذشتہ سال کے مقابلے میں 36 فیصد کی شرح سے اضافے کے بعد 59,798 بلین روپے تک پہنچ چکے ہیں جبکہ پچھلے سال 43,975 بلین تھے۔ اسلامک فنانسنگ 41.60% فیصد کے اضافے کے ساتھ 26,827 بلین تک پہنچ چکی ہے جس کی وجہ سے اعتماد اسلامک بینکنگ گروپ فنانس /ڈپازٹ کا تناسب 53 فیصد ہوگیا ہے جو کہ پچھلے سال 52 فیصد تھا۔ اس سال سرمایہ کاری کا حجم 23,914 بلین رہا جو کہ پچھلے سال 17,986 بلین تھا۔ اس طرح سرمایہ کاری / ڈپازٹ کا تناسب 47 فیصد رہا۔
- 6- کھاتہ جات (ڈپازٹس) کا جائزہ :
CASA این بی پی اعتماد کے ڈپازٹ میں 31 دسمبر، 2018 تک ایک بہتر اضافہ نظر آیا جوکہ 51,009 بلین روپے رہا جو پچھلے سال کے 36,908 بلین روپوں میں 39 فیصد کی شرح سے اضافہ ہے۔ ڈپازٹ میں اس اضافے کا بڑا سبب ہے جس کو دوران سال اعتماد کی انتظامیہ نے متعارف کروایا تھا۔ Deposit Mobilization Scheme
- 7- سال 2018 میں شریعہ بورڈ کے اجتماعات (میٹنگز) کا خلاصہ
سال 2018 میں شریعہ بورڈ کی کل (6) میٹنگز منعقد ہوئیں، جن میں متعدد موضوعات، مسائل اور احکامات پر بحث و مباحثہ کے بعد ان کو حل کر کے منظور کیا گیا۔ ان میں سے اہم منظور شدہ موضوعات اور احکامات درج ذیل ہیں:
- 1- انٹر آفس میموز (IOMs):
i. معادی کھاتوں کا قبل از وقت اختتام اور بند اکاؤنٹس
ii. خصوصی پولز بنانے اور ایک پول سے دوسرے پول اٹانہ جات منتقل کرنے کے لئے احکامات
- 2- اعتماد پالیسیز :
i. ٹریڈری پالیسی
ii. جامع ترمیم شدہ چیرٹی پالیسی
iii. اعتماد رنگ مشارکہ پالیسی - خود کارسٹم کے ساتھ مشروط
- 3- پہلے سے منظور شدہ پالیسیز کی تصدیق :
i. نفع اور نقصان کی تقسیم اور پول مینجمنٹ
ii. فارن ایکسچینج ٹرانزیکشن
iii. اجارہ
iv. مراہمہ
v. شرکٹ متناقضہ
- 4- انٹرنل شریعہ آڈٹ ، ترمیم شدہ اعتماد ہمسفر اور بیع مؤجل مینولز
5- شریعہ کمپلائنس جائزہ (SCR) اور انٹرنل شریعہ آڈٹ کے سالانہ منصوبے
6- شریعہ کمپلائنس اور انٹرنل / ایکسٹرنل شریعہ آڈٹ کے نتائج پر عمل درآمد کرنے کے لئے سفارشات (Action Recommendation)
7- ترمیم شدہ شریعہ گورننس فریم ورک پر عمل درآمد کرنے کا طریقہ کار
8- شریعہ کمپلائنس ڈپارٹمنٹ کے ذریعے متعدد شرعی امور پر تحقیقات کا انعقاد

سفارشات :

بینک کے لئے ہماری سفارشات درج ذیل ہیں

- 1- اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق ترجیحی بنیادوں پر پول مینجمنٹ ونگ اور نفع کی تقسیم کے طریقہ کار کو مزید بہتر، خود کار اور مستحکم ہونا چاہئے۔
- 2- ایچ آر (HR) پالیسی اور این بی پی کے عملے کے لئے ہموالی سہولیات کی شرعی اصولوں کے مطابق تنفیذ کو یقینی بنایا جائے
- 3- شریعہ بورڈ نے نئے ٹریننگ ڈپارٹمنٹ اور این بی پی اعتماد کو ہدایات جاری کی ہیں کہ عملے کے لئے ابتدائی / اعلیٰ سطح کے مخصوص کورس ترتیب دئے جائیں ، بشمول اسلامک ہموالی معاملات کو عملی طور پر نافذ العمل کرنے کی خصوصی ٹریننگ کو یقینی بنایا جائے جو کہ مختلف ہموالی طریقوں پر مشتمل ہو تاکہ شریعہ کمپلائنس کے پیچیدہ مسائل سے بچا جاسکے
- واللہ سبحانہ و تعالیٰ اعلم
ربنا لا تؤاخذنا ان نسينا او اخطانا ربنا ولا تحمل علينا اصرار کما حملته علی الذین من قبلنا ربنا ولا تحملنا ما لا طاقة لنا به واعف عنا ووقفه واغفر لنا وقفه وارحمنا وقفه انت مولنا فانصرنا علی القوم الکفرین۔
- ہم اللہ تعالیٰ کے حضور دعا گو ہیں کہ وہ روز مرہ امور میں ہماری رہنمائی فرمائے تاکہ ہم خطاؤں سے بچ سکیں اور یہ کہ اسلامی بینکاری پاکستان میں مزید مستحکم ہو۔

مفتی محمد عمران
ریزیڈنٹ شریعہ بورڈ ممبر
این بی پی اعتماد

مفتی احسان وقار احمد
چیرمین شریعہ بورڈ
این بی پی اعتماد

ڈاکٹر مفتی خلیل احمد اعظمی
ممبر شریعہ بورڈ
این بی پی اعتماد



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این بی پی اعتماد شریعہ بورڈ رپورٹ - 2018

بسم اللہ الرحمن الرحیم
الحمد لله رب العالمین والصلاة والسلام على سيد الانبياء والمرسلين وعلى آله وصحبه اجمعين اما بعد

این بی پی کے بورڈ آف ڈائریکٹرز کی طرف سے شریعہ بورڈ پر اعتماد اور بھروسہ کرتے ہوئے انہیں یہ ذمہ داری سونپی گئی کہ وہ این بی پی اسلامی بینکاری کے ماحول اور شرعی احکام کی تعمیل (شریعہ کمپلائنس) کے سلسلے میں نگرانی کریں۔

اس رپورٹ کا مقصد یہ ہے کہ این بی پی اعتماد میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کے بارے میں شریعہ بورڈ کا نقطہ نظر پیش کیا جائے۔ ہم بحیثیت شریعہ بورڈ 31 دسمبر 2018ء تک بینک میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کا جائزہ لے چکے ہیں، جس کا خلاصہ پیش خدمت ہے۔

شریعہ بورڈ کی رائے

بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ کی حتمی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائیں کہ این بی پی اعتماد کے جملہ امور مکمل طور پر شرعی اصولوں کے مطابق انجام پا رہے ہیں، جبکہ ہمارے (شریعہ بورڈ) ذمہ این بی پی اعتماد کی شرعی احکام کی تعمیل (کمپلائنس) کے حوالے سے صورتحال کا ایک مکمل تجزیہ (رپورٹ) پیش کرنا ہے۔

رپورٹ میں ذکر کردہ رائے قائم کرنے کے لئے بینک کے شریعہ کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معاہدات، اس سے متعلق دستاویزات اور طریقہ کار میں سے چند بطور نمونے کے منتخب کئے اور ان کا تفصیلی جائزہ لیا ہے۔ مزید یہ کہ ہم نے انٹرنل / ایکسٹرنل شریعہ آڈٹ کی رپورٹس کا بھی جائزہ لیا ہے، جس کی بنیاد پر ہماری رائے یہ ہے

شریعہ بورڈ کی جانب سے جاری کردہ ہدایات اور فتاویٰ پر بینک کی تعمیل (کمپلائنس) -1
شریعہ بورڈ کی رائے کے مطابق این بی پی اعتماد کی مجموعی صورت حال، مصنوعات، معاہدات اور معاملات شرعی اصولوں کے مطابق ہیں۔ تاہم فنانشنگ پورٹ فولیو کے شریعہ جائزہ کے دوران بعض بے قاعدیگیاں پائی گئی، جن کی تصحیح کے لئے شریعہ بورڈ نے مینجمنٹ کو احکام جاری کئے۔

2- اسٹیٹ بینک کی شریعہ ایڈوائزری کمیٹی کے احکامات کے مطابق جاری کردہ ہدایات، قواعد و ضوابط اور احکامات پر بینک کی تعمیل (کمپلائنس) :
بینک کی جانب سے شریعہ گورننس فریم ورک (ایس جی ایف) (جو کہ اسٹیٹ بینک آف پاکستان کے سرکلر نمبر 001 2018 بتاریخ 7 جون، 2018 کو جاری ہوا تھا) کے نفاذ سے متعلق اٹھائے گئے اقدام کو باقاعدہ بورڈ آف ڈائریکٹرز نے منظور کر لیا ہے۔

3- شریعہ کی تعمیل (کمپلائنس) کا طریقہ کار :
الحمد للہ! این بی پی اعتماد کے پاس پہلے سے ہی ایک جامع اور مکمل شریعہ کمپلائنس پالیسی موجود ہے جو شریعہ کمپلائنس ڈپارٹمنٹ کی جانب سے مرتب کی گئی ہے اور باقاعدہ بورڈ آف ڈائریکٹرز سے منظور شدہ ہے۔ مسلسل بہتری کو ملحوظ خاطر رکھتے ہوئے شریعہ کمپلائنس ڈپارٹمنٹ نے وقتاً فوقتاً حاصل ہونے والے تجربات اور شریعہ بورڈ سے ملنے والی رہنمائی و ہدایات اور اسٹیٹ بینک کے احکامات کو مد نظر رکھتے ہوئے شریعہ کمپلائنس کے لئے کئی چیک لسٹیں تیار کر لی

4- ایسا طریقہ کار کہ جس سے ممنوع آمدن، چیرٹی (صدقہ) اکاؤنٹ میں منتقل کی جائے :
این بی پی اعتماد نے ایک واضح اور جامع چیرٹی پالیسی تشکیل دی ہے جو شریعہ بورڈ اور بورڈ آف ڈائریکٹرز سے منظور شدہ ہے۔ شریعہ کمپلائنس کے عملے نے تاکہ اس بات کو یقینی بنایا جائے کہ یہ معاملات شریعہ بورڈ سے منظور شدہ طریقہ کار اور ہدایات کے مطابق انجام دیے گئے ہیں۔ مزید برآں شریعہ کمپلائنس ڈپارٹمنٹ کی جانب سے آمدنی کے تمام دوسرے ذرائع بشمول سرمایہ کاری اور ٹریڈرز کے معاملات کا جائزہ بھی لیا جا چکا ہے۔
دوران سال، 176,693 روپے چیرٹی اکاؤنٹ میں منتقل کرنے کے احکامات جاری کیے گئے۔

5- نفع اور نقصان کی تقسیم اور پول مینجمنٹ :
کے تحت پول کو شرعی اصولوں کے مطابق چلاتا ہے۔ اس سے نفع و نقصان کی تقسیم میں مزید (SOP) اعتماد اسلامک بینکنگ کے پاس پول مینجمنٹ کا باقاعدہ ونگ موجود ہے، جو ایک مکمل پالیسی اور ایس او پی شفافیت حاصل ہوتی ہے۔ اس کے ساتھ ساتھ اسٹیٹ بینک کی طرف سے جاری کردہ سرکلر کے مطابق شریعہ کمپلائنس ڈپارٹمنٹ سال 2018 کے دوران ماہانہ بنیادوں پر نفع کی قبل از تقسیم اور پول مینجمنٹ کا جائزہ لیتا رہا ہے۔ اسی طرح تقسیم کے بعد سے ماہی بنیادوں پر پول مینجمنٹ کا انٹرنل شریعہ آڈٹ بھی ہوا ہے جس سے پول مینجمنٹ اور نفع و نقصان کی تقسیم کا عمل بہتر ہوا ہے اور شریعہ کمپلائنس کا نظام مزید مضبوط ہو گیا ہے۔

6- عملے کی تربیت برائے اسلامی بینکاری اور سرمایہ کاری :
الحمد للہ! سال 2018 میں شریعہ بورڈ نے بینک کے بورڈ آف ڈائریکٹرز کو اسلامک بینکنگ اینڈ فنانس سے متعلق بنیادی ٹریننگ دی۔ مزید یہ کہ شریعہ کمپلائنس ڈپارٹمنٹ نے بینک کے ریلیشن شپ مینجرز (آر ایمز) اور کریڈٹ کے عملے کے لئے بھی مخصوص ٹریننگ کا انعقاد کیا تاکہ وہ تمویلی معاملات میں صحیح طریقے سے شرعی احکامات کی پاسداری یقینی بناسکیں۔ اس کے ساتھ ساتھ این بی پی اعتماد نے ٹریننگ ڈپارٹمنٹ اور شریعہ کمپلائنس ڈپارٹمنٹ کی شراکت سے پانچ روزہ تربیتی پروگرام برائے اسلامی بینکاری و سرمایہ کاری ترتیب دیا ہے، جن میں ہر نئے اور موجودہ عملے کو شرکت کرنا ضروری ہے، تاکہ ان کو اسلامی بینکاری اور سرمایہ کاری کے بنیادی تصورات سے آگاہی فراہم کی جاسکے۔ الحمد للہ! اس سال عملے کے لئے اس نوعیت کے 23 پروگرام منعقد کئے گئے جن کے ذریعے عملے کے 282 افراد کو تربیت کے شرعی معیارات کے کورس کے لئے بھی نامزد کیا گیا جس کی مدد سے ان آفسرز نے شریعہ اور AAOIFI فراہم کی گئی۔ بینک نے شریعہ کمپلائنس ڈپارٹمنٹ کے آفسرز کو ایک معیاری تعلیمی ادارے میں کمپلائنس کے حوالے سے اپنی صلاحیتوں میں مزید نکھار پیدا کیا۔ شریعہ بورڈ اور شریعہ کمپلائنس ڈپارٹمنٹ دوران تربیت بینک کے تمام عملے کی اس بارے میں حوصلہ افزائی کرتے رہے کہ وہ شریعہ کے ذریعے پوچھ کر حل کریں۔ اس طریقہ کار سے بینک کے عملے کو ایک پلیٹ فارم مہیا کیا گیا جس کے ذریعے نہ صرف ان کی تربیت ہوتی Ask Shariah portal حوالے سے کسی بھی سوال و الجھن کو ہے، بلکہ ان کے روز مرہ کے کاموں اور صارفین کے انتظام (کسٹمر مینجمنٹ) میں بھی معاونت حاصل ہوتی ہے۔

7- شریعہ بورڈ کو مناسب افرادی وسائل مہیا کرنا :
بورڈ آف ڈائریکٹرز نے اس بات کی منظوری دی ہے کہ شریعہ بورڈ کی معاونت کے لئے دو مرحلوں میں مناسب افرادی وسائل مہیا کیے جائیں۔ پہلے مرحلے میں مختلف عہدوں کے لئے تقرری ہو چکی ہے، تاہم اعلیٰ انتظامیہ دوسرے مرحلے میں شریعہ کمپلائنس ڈپارٹمنٹ کے لئے افراد کی تقرری کے لئے کوشاں ہے۔ ہم امید کرتے ہیں کہ اس بارے میں تمام امور جلد از جلد مکمل ہوجائیں گے تاکہ ذمہ داریاں بہتر انداز میں ادا کی جاسکیں۔ چونکہ شریعہ کمپلائنس ڈپارٹمنٹ شریعہ بورڈ کا ایک ذیلی شعبہ ہے جو شریعہ بورڈ کی طرف سے جاری کردہ ہدایات کے نفاذ کو یقینی بناتا ہے، لہذا اس کے جملہ افرادی کی تقرری اور تبادلہ باقاعدہ شریعہ بورڈ کی منظوری سے ہونا چاہیے۔

دیگر تعمیری سرگرمیاں

1- اسلامک بینکنگ برانچز اور ڈپارٹمنٹس کا شرعی جائزہ :
شریعہ کمپلائنس ڈپارٹمنٹ نے سال 2018 میں اعتماد اسلامک برانچز کا پورے 100 فیصد جائزہ لیا، جس میں 71 برانچوں کا بذریعہ آف سائڈ اور 99 برانچوں کا باقاعدہ جاکر جائزہ لیا گیا۔ نیز شریعہ کمپلائنس ڈپارٹمنٹ نے سال 2018 کے دوران ماہانہ بنیاد پر پول مینجمنٹ کا نفع و نقصان کی تقسیم سے پہلے جائزہ لیتا رہا ہے۔ اس کے ساتھ ساتھ اعتماد ٹریڈرز، مارکیٹنگ اور فنانشنگ پورٹ فولیو کا بھی سال 2018 میں باقاعدہ اسٹیٹ بینک کے شریعہ گورننس فریم ورک کے مطابق شرعی جائزہ لیا گیا، شریعہ کمپلائنس کے عملے نے جائزے کے دوران متعلقہ عملے کو خصوصی ہدایات دیں کہ وہ شرعی احکامات کی مکمل پاسداری کریں۔



Statement of Internal Control

Reporting of Internal Control System

The Bank's Management has established and is managing system of Internal Control which encompasses the policies, procedures, processes and tasks as approved by the Board of Directors that facilitate effective and efficient operations. The management and the employees at all levels within the Bank are required to perform as per these approved Internal Control System components. The Internal Control System requires effectiveness and efficiency in external and internal reporting, maintenance of proper records and processes, compliance with applicable laws and regulations, and internal policies with respect to conduct of business.

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

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

The Bank follows the SBP's instructions on Internal Control Framework relating to financial reporting and is complying with the SBP' stage-wise implementation roadmap. The Bank has documented and mapped As-Is processes and controls, identified gaps and requisite recommendations, developed remediation initiatives, management testing plans and conducted full scale management testing. In view of SBP directives in OSED Circular No.1 of 2014 dated February 07, 2014 Long Form Report for the year ended December 31, 2017 has been submitted to SBP.

Evaluation of Internal Controls

The Bank has an independent Internal Audit & Inspection function in the name of Audit & Inspection Group with three Regional Area Audit & Inspection Offices that conduct audit of branches, Regions and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to that, an independent Compliance Monitoring Wing is being set up under Compliance Group to monitor Compliance with key regulations at branches as well as Head Office functions along with monitoring of ICFR.

For the year 2018, the Bank has made its efforts to ensure that an effective internal control system continues to perform. The observations made by the external / internal auditors and regulators in their respective audits / inspections are reviewed and measures are taken by the Management, Board Audit & Compliance Committee and Board of Directors for rectification of such observations.

Based upon the results achieved from reviews and audits conducted during the year, the Management considers that the Bank's existing Internal Control System is adequate and has been effectively implemented and monitored. However, being an ongoing process, the Management would continuously be evaluating efficacy of its in-built controls to enhance and further strengthen the overall Internal Control System of the Bank.

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

Abdul Wahid Sethi
CFO / Group Chief, FCG

Aamir Sattar
Group Chief, A&IG

Muhammad Faraz Haider
Group Chief, Compliance Group

Date: February 22, 2019
Place: Karachi



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

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

Year ended: **December 31, 2018**

The Bank has complied with the requirements of the Regulations in the manner that in case of any conflict between Code of Corporate Governance Regulations, 2017 and Banks Nationalization Act, 1974, the provisions of Banks Nationalization Act 1974 shall prevail.

1. The total number of directors are 06 as per the following:

- a. Male: 06
- b. Female: Nil

2. The composition of board is as follows:

The Board of Directors of the Bank are appointed as per the provisions of the Banks (Nationalization) Act, 1974. The President / CEO is only Executive Director. The remaining Board consists of one non-executive director and four independent directors including one independent director representing minority shareholders as required by the Code. At year ended December 31, 2018, the Board was comprised of the following directors:-

Names		Category
Mr. Muhammad Naeem	Independent Director	Appointed by Federal Government under Section 11(3)(a) of The Banks (Nationalization) Act, 1974.
Mr. Asad Munir	Independent Director	
Mr. Muhammad Imran Malik	Independent Director	
Mr. A. Akbar Sharifzada	Non - Executive Director	
Mr. Farid Malik	Independent Director	Director representing Private Shareholders and Minority Interest elected in terms of Section 11(b) of The Banks (Nationalization) Act, 1974.
Mr. Tariq Jamali		CEO / President (Acting) (refer Clause 3 & 4 below)

- 3. During the year Federal Government in terms of the powers conferred under Section 16 of the General Clause Act, 1897 suspended services of Mr. Saeed Ahmed, President / CEO with immediate effect vide GOP, Finance Division, Notification No. F-1 (9) Bkg-III/2017-2454 dated August 28, 2018. Mr. Tariq Jamali SEVP / Group Chief, ARG assumed charge as CEO / President (Acting) NBP on August 28, 2018 vide Federal Government, Finance Division, Notification No.F.1(9)/ Bkg-III/2017-2455 dated August 28, 2018. Subsequently, services of Mr. Saeed Ahmed were terminated by Federal Government vide Notification No. F-1 (9) Bkg-III / 2017-1449 dated October 15, 2018 with immediate effect.
- 4. The Federal Government in terms of Section 11 (3)(a) of The Banks (Nationalization) Act, 1974 appointed Mr. Arif Usmani as President vide GoP, Finance Division, Notification No.F.1(33)/ Bkg-III/2018-228 dated 12-2-2019 who assumed the charge on February 13, 2019. Mr. Tariq Jamali SEVP/Group Chief, ARG relinquished charge as President (Acting) NBP on February 13, 2019.
- 5. During the year Mir Balakh Sher Marri, Director completed his tenure of three years.
- 6. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- 7. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

8. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
9. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
10. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of board.
11. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations
12. Majority of the Directors have already undergone the training.
13. The board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. During the year, there was no change in the office of CFO, Company Secretary and Head of Internal Audit.
14. CFO and CEO duly endorsed the financial statements before approval of the board.
15. The board has formed committees comprising of members given below:

a. Board Audit & Compliance Committee:

S.No	Names of Director	Status
1	Mr. Muhammad Naeem	Chairman
2	Mr. A. Akbar Sharifzada	Member
3	Mr. Muhammad Imran Malik	Member

b. Board HR & R Committee:

S.No	Names of Director	Status
1	Mr. Muhammad Naeem	Chairman
2	Mr. Tariq Jamali	Member
3	Mr. A. Akbar Sharifzada	Member
4	Mr. Asad Munir	Member

c. Board Risk Committee:

S.No	Names of Director	Status
1	Mr. Muhammad Naeem	Chairman
2	Mr. Muhammad Imran Malik	Member
3	Mr. Farid Malik	Member

d. Board I.T. Committee:

S.No	Names of Director	Status
1	Mr. Tariq Jamali	Chairman
2	Mr. Muhammad Naeem	Member
3	Mr. Farid Malik	Member



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

e. Board Strategy & Development Committee:

S.No	Names of Director	Status
1	Mr. Farid Malik	Chairman
2	Mr. Muhammad Imran Malik	Member
3	Mr. Asad Munir	Member
4	Mr. Tariq Jamali	Member

16. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

17. The frequency of meetings (quarterly/half yearly/ yearly) of the committees were as per following:

S.No	Name of Committee	No. of Meeting held during the year
1	Board Audit & Compliance Committee	08
2	Board HR & R Committee	08
3	Board Risk Committee	04
4	I.T. Board Committee	03
5	Board Strategy & Development Committee	04

18. The board has set up an effective internal audit function at NBP. The USA and Frankfurt, Germany internal audit function of the Bank has been outsourced to independent professional firms.

19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

21. We confirm that all other requirements of the Regulations have been complied with.

Arif Usmani
President & CEO

Karachi
Dated: February 22, 2019



Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, KCHSU
Shahrah-e-Faisal
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Grant Thornton Anjum Rahman
Chartered Accountants
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Karachi 75530, Pakistan

Auditors' Review Report on Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

To the members of National Bank of Pakistan

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **National Bank of Pakistan (the Bank)** for the year ended December 31, 2018 in accordance with the requirements of Regulation 40 of the Regulations.

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

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

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the bank for the year ended December 31, 2018.

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Date: February 22, 2019

Place: Karachi



NBP goes Digital! With EMV Debit Card

Banking on innovation and technology, the Nation's Bank now serves its customers with enhanced mobility and reliability, through superior e-services – including its Mobile App & EMV/Contactless Debit Card powered by UnionPay International.



Unconsolidated Financial Statements





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Chartered Accountants
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Karachi 75530, Pakistan

Independent Auditors' Report

To the members of National Bank of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **National Bank of Pakistan (the Bank)**, which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 80 branches which have been audited by us and 6 branches audited by auditors abroad, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 24.3.4.1 to the unconsolidated financial statements which explains the contingency in relation to the pension obligations of the Bank. Based on the opinion of the legal counsel, the Bank is confident about the favorable outcome of this matter and hence, no provision against any additional pension obligation is made in the unconsolidated financial statements. Our opinion is not qualified in this respect.

Key Audit Matters

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



Following are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1.	<p>Impairment of loans and advances</p> <p>As disclosed in note 11 to the unconsolidated financial statements, gross loans and advances of the Bank were Rs. 1,059 billion against which non-performing loans and advances (NPLs) were of Rs. 133 billion. The Bank has recorded Rs. 126 billion as specific provision against NPLs and Rs. 7.2 billion as general provision.</p> <p>The carrying value of loans and advances to customers may be materially misstated, if impairment is not appropriately identified and estimated as the determination of impairment provisions remains subjective and judgmental area in addition to objective criteria for classification of loans and advances as per Prudential Regulations. Furthermore, the Bank is required to make provision, if any, identified by the regulator (SBP).</p> <p>We considered this as a key audit matter as the Bank in addition to following objective criteria also makes significant and subjective judgements and makes assumptions to determine the provision and the timing of recognition of such provision and their impact could be material to the unconsolidated financial statements.</p>	<p>For selected samples, we:</p> <ul style="list-style-type: none"> Updated our understanding and evaluated design and implementation of relevant controls; evaluated borrowers through repayment behavior and assessment of financial strength based on the available financial statements, adequacy of security/collateral, electronic credit information bureau (eCIB) reports and compliance with Prudential Regulations; evaluated the appropriateness of subjective evaluation made by management for performing parties; ensured that any provision identified by the SBP was recognized ; and in case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the Prudential Regulations. <p>In addition to the above, on a sample bases, we also reviewed minutes of the meeting of credit and audit committees to identify risky exposures.</p>
2.	<p>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</p> <p>As disclosed in note 10.1 to the unconsolidated financial statements, the Bank has significant investment in equity shares, units of mutual funds and term finance certificates (TFCs) classified as available for sale. As per the Bank's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments except where SBP relaxation has been obtained. Further, TFCs are required to be assessed as per the SBP's Prudential Regulations which involves subjective criteria.</p> <p>The significance of the investment amount, subjectivity involved and assumptions used in impairment make it significant to the unconsolidated financial statements. Therefore, we have considered this as a key audit matter.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> each investment's cost was compared to its market value where available to determine decline / surplus in valuation; checked in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Bank as disclosed in note 5.22(c) , and For TFCs, checked that listed TFCs which are traded in were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample bases, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee.
3.	<p>Change in accounting policy as a result of changes in the Companies Act, 2017, and changes in the format for the financial statements issued by the State Bank of Pakistan (SBP)</p> <p>As referred in note 6 to the unconsolidated financial statements, the Companies Act, 2017 (the Act) became applicable which changed the accounting treatment and presentation of surplus on revaluation of fixed assets. Previously, the deficit arising on revaluation of fixed assets was adjusted against the total balance in the surplus account, or if there was no surplus, it was charged to profit and loss account. Surplus was also presented in the financial statements below equity. As per the revised changes, deficit arising on any particular item of fixed</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> assessed the procedures performed by management for identification of the changes required in the unconsolidated financial statements due to application of the Act and the revised format of the financial statements. re-performed the calculations based on the working and valuation reports to ensure that values of land and building, and respective surplus on revaluation had been properly restated in the unconsolidated financial statements; and assessed the competence, objectivity and independence of the valuers engaged by the Bank.



S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>asset; first it is adjusted against surplus of that particular asset, if any available, and then the remaining amount is charged to profit and loss account instead against adjusting of surplus of any other items of fixed assets.</p> <p>SBP also changed the format of financial statements that requires the Bank to disclose reserves on revaluation of investments and fixed assets in statement of changes in equity whereas in the previous years, these were disclosed in the statement of financial position below equity.</p> <p>Due to the above, the Bank changed its accounting policy to account for surplus on revaluation of land and building and investments classified as available for sale with retrospective effect.</p> <p>Furthermore, during the year, management involved an expert to revalue land and buildings, which resulted in revaluation surplus net of deferred tax of Rs. 20.26 billion.</p> <p>We have considered the above as key audit matter due to change in policy and involvement of the expert by the Bank.</p>	<ul style="list-style-type: none"> engaged our expert to review the revaluation exercise conducted by management's expert on a sample basis, to check the assumptions and basis used for the revaluation of land and buildings were appropriate; and in respect of the change in accounting policy for the accounting and presentation of surplus on revaluation in respect of investments and land and building as referred in note 6 to the unconsolidated financial statements; assessed the accounting implication and ensured disclosures in the unconsolidated financial statements were in accordance with the applicable accounting and reporting standards as applicable in Pakistan.

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

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report 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 the fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.



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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

Other Matter

The annual unconsolidated financial statements of the Bank for the year ended December 31, 2017 were audited by EY Ford Rhodes, Chartered Accountants and Grant Thornton Anjum Rahman, Chartered Accountants, whose audit report dated February 20, 2018 expressed an unmodified opinion with an emphasis of matter paragraph on contingency related to the pension liability which we have also included above.

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

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi
Date: February 22, 2019





Unconsolidated Statement of Financial Position As at December 31, 2018

2016	2017	2018		2018	2017	2016	
US Dollars in '000			Note	Rupees in '000			
Restated	Restated			Restated	Restated	Restated	
ASSETS							
1,153,467	1,152,869	1,782,478	Cash and balances with treasury banks	7	247,518,270	160,089,619	160,172,561
99,584	190,145	87,872	Balances with other banks	8	12,202,020	26,403,906	13,828,477
876,478	193,834	766,169	Lendings to financial institutions	9	106,391,667	26,916,113	121,709,399
6,460,597	9,330,994	9,248,897	Investments	10	1,284,319,388	1,295,719,550	897,130,749
4,806,138	5,327,393	6,668,546	Advances	11	926,007,004	739,771,983	667,389,455
230,566	231,958	387,867	Fixed assets	12	53,859,883	32,210,079	32,016,837
6,366	3,903	1,769	Intangible assets	13	245,658	541,924	883,941
36,984	52,691	-	Deferred tax assets	14	-	7,316,833	5,135,645
796,387	1,558,029	1,209,994	Other assets	15	168,022,298	216,350,961	110,587,876
14,466,567	18,041,816	20,153,592			2,798,566,188	2,505,320,968	2,008,854,940
LIABILITIES							
73,362	95,023	71,612	Bills payable	16	9,944,178	13,195,054	10,187,250
323,083	2,593,265	2,828,273	Borrowings	17	392,739,396	360,105,674	44,863,930
11,934,966	12,437,551	14,484,788	Deposits and other accounts	18	2,011,385,201	1,727,102,019	1,657,312,093
185	104	-	Liabilities against assets subject to finance lease	19	-	14,509	25,652
-	-	50,302	Deferred tax liabilities	14	6,985,042	-	-
862,247	1,652,877	1,228,874	Other liabilities	20	170,643,836	229,521,631	119,733,239
13,193,843	16,778,820	18,663,849			2,591,697,653	2,329,938,887	1,832,122,164
1,272,724	1,262,996	1,489,743	NET ASSETS		206,868,535	175,382,081	176,732,776
REPRESENTED BY							
153,211	153,211	153,211	Share capital	21	21,275,131	21,275,131	21,275,131
337,028	362,640	383,650	Reserves	22	53,274,402	50,356,895	46,800,341
408,450	357,833	431,984	Surplus on revaluation of assets	23	59,986,125	49,689,402	56,718,153
374,035	389,312	520,898	Unappropriated profit		72,332,877	54,060,653	51,939,151
1,272,724	1,262,996	1,489,743			206,868,535	175,382,081	176,732,776

CONTINGENCIES AND COMMITMENTS 24

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Unconsolidated Profit and Loss Account

For the year ended December 31, 2018

2017	2018		Note	2018	2017
US Dollars in '000				Rupees in '000	
886,295	1,079,985	Mark-up / return / interest earned	25	149,968,712	123,072,600
495,598	643,103	Mark-up / return / interest expensed	26	89,302,482	68,819,721
390,697	436,882	Net mark-up / return / interest income		60,666,230	54,252,879
NON MARK-UP / INTEREST INCOME					
120,800	133,416	Fee and commission income	27	18,526,356	16,774,473
27,516	18,815	Dividend income		2,612,755	3,820,934
16,213	61,142	Foreign exchange income		8,490,244	2,251,341
46,662	28,318	Gain on securities - net	28	3,932,344	6,479,598
12,527	19,352	Other income	29	2,687,237	1,739,524
223,718	261,043	Total non - markup / interest income		36,248,936	31,065,870
614,415	697,925	Total income		96,915,166	85,318,749
NON MARK-UP / INTEREST EXPENSES					
347,286	401,027	Operating expenses	30	55,687,359	48,224,847
-	-	Workers welfare fund		-	-
2,180	1,758	Other charges	31	244,053	302,690
349,466	402,785	Total non-markup / interest expenses		55,931,412	48,527,537
264,949	295,140	Profit before provisions		40,983,754	36,791,212
8,584	81,378	Provisions and write offs - net	32	11,300,373	1,191,944
256,365	213,762	PROFIT BEFORE TAXATION		29,683,381	35,599,268
90,531	69,625	Taxation	33	9,668,259	12,571,281
165,834	144,137	PROFIT AFTER TAXATION		20,015,122	23,027,987
US Dollars				Rupees	
0.08	0.07	Basic earnings per share	34	9.41	10.82
0.08	0.07	Diluted earnings per share	35	9.41	10.82

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Unconsolidated Statement of Comprehensive Income For the year ended December 31, 2018

2017	2018		Note	2018	2017
US Dollars in '000				Rupees in '000	
Restated					Restated
165,834	144,137	Profit after taxation for the year		20,015,122	23,027,987
		Other comprehensive income			
		Items that may be reclassified to profit and loss account in subsequent periods:			
6,553	6,596	Exchange gain on translation of net assets of foreign branches		915,995	909,953
(57,381)	(69,818)	Movement in deficit on revaluation of investments - net of tax		(9,695,113)	(7,968,020)
(50,828)	(63,222)			(8,779,118)	(7,058,067)
		Items that will not be reclassified to profit and loss account in subsequent periods:			
(19,844)	1,122	Remeasurement gain / (loss) on defined benefit obligations - net of tax		155,785	(2,755,579)
-	145,913	Movement in surplus on revaluation of fixed assets - net of tax		20,261,759	-
7,544	(1,203)	Movement in surplus on revaluation of non-banking assets - net of tax		(167,094)	1,047,510
(12,300)	145,832			20,250,450	(1,708,069)
102,706	226,747	Total comprehensive income		31,486,454	14,261,851

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.



Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2018

Share capital	Reserve				Surplus on revaluation of assets			Unappropriated profit	Total	
	Exchange transition	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments			Fixed / non-banking assets
Rupees in '000										
Balances as at December 31, 2016 - as previously reported	21,275,131	7,092,485	27,186,518	12,000,000	521,338	46,800,341	-	-	51,939,151	120,014,623
Impact of reassessment	-	-	-	-	-	-	-	33,938,753	22,779,400	56,718,153
Balances as at December 31, 2016 - as restated	21,275,131	7,092,485	27,186,518	12,000,000	521,338	46,800,341	33,938,753	22,779,400	51,939,151	176,732,776
Profit after taxation for the year ended December 31, 2017	-	-	-	-	-	-	-	-	23,027,987	23,027,987
Other comprehensive income - net of tax	-	909,953	-	-	-	909,953	(7,968,020)	1,047,510	(6,920,510)	(8,766,136)
Transfer to statutory reserve	-	2,302,799	-	-	-	2,302,799	-	-	(2,302,799)	-
Amalgamation of NBP Leasing Limited	-	-	-	343,802	-	343,802	-	-	-	343,802
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(108,241)	(108,241)	108,241
Transactions with owners, recorded directly in equity										
Cash dividend paid for the year ended December 31, 2016 (Rs. 7.5 per share)	-	-	-	-	-	-	-	-	-	(15,956,348)
Balance as at December 31, 2017	21,275,131	8,002,438	29,489,317	343,802	521,338	50,356,895	25,970,733	23,718,669	54,060,653	175,382,081
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	-	20,015,122	20,015,122
Other comprehensive income - net of tax	-	915,995	-	-	-	915,995	(9,695,113)	20,094,665	10,399,552	11,471,332
Transfer to statutory reserve	-	2,001,512	-	-	-	2,001,512	-	-	(2,001,512)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(102,829)	(102,829)	102,829
Transactions with owners, recorded directly in equity										
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2018	21,275,131	8,918,433	31,490,829	343,802	521,338	53,274,402	16,275,620	43,710,505	72,332,877	206,868,535

The annexed notes I to 50 and annexures I and II form an integral part of these unconsolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Unconsolidated Cash Flow Statement For the year ended December 31, 2018

2017		2018		Note	2018		2017	
US Dollars in '000		US Dollars in '000			Rupees in '000		Rupees in '000	
Restated							Restated	
CASH FLOW FROM OPERATING ACTIVITIES								
256,365	213,762	Profit before taxation	29,683,381		35,599,268			
(27,516)	(18,815)	Less: dividend income	(2,612,755)		(3,820,934)			
228,849	194,947		27,070,626		31,778,334			
Adjustments:								
15,198	16,879	Depreciation	2,343,876		2,110,390			
6,976	2,328	Amortization	323,312		968,668			
8,584	81,378	Provision and write-offs	11,300,373	32	1,191,944			
(868)	(957)	Gain on sale of fixed assets	(132,829)		(120,583)			
11	108	Finance charges on leased assets	15,034		1,472			
		Unrealized loss on revaluation of investments classified as held-for-trading	1,033		13,829			
100	7	Charge for defined benefit plans - net	6,026,025		4,999,470			
36,003	43,396		19,876,824		9,165,190			
66,004	143,139		46,947,450		40,943,524			
294,853	338,086	(Increase) / decrease in operating assets						
693,280	(524,086)	Lendings to financial institutions	(72,775,554)		96,270,236			
(4,865,628)	3,841,692	Held-for-trading securities	533,464,673		(675,650,370)			
(528,949)	(1,460,557)	Advances	(202,815,775)		(73,450,797)			
(3,466)	476,822	Other assets (excluding advance taxation)	66,212,428		(481,241)			
(4,704,763)	2,333,871		324,085,772		(653,312,172)			
Increase / (decrease) in operating liabilities								
21,660	(23,411)	Bills payable	(3,250,876)		3,007,805			
2,312,453	99,581	Borrowings from financial institutions	13,828,071		321,111,620			
502,585	2,047,237	Deposits	284,283,182		69,789,926			
22,948	(401,658)	Other liabilities (excluding current taxation)	(55,775,017)		3,186,553			
2,859,646	1,721,749		239,085,360		397,095,904			
(11)	(108)	Financial charges paid	(15,034)		(1,472)			
(98,870)	(71,440)	Income tax paid	(9,920,235)		(13,729,260)			
(25,475)	(20,149)	Benefits paid	(2,797,931)		(3,537,495)			
(1,674,620)	4,302,009	Net cash flows generated from / (used in) operating activities	597,385,382		(232,540,971)			
CASH FLOW FROM INVESTING ACTIVITIES								
1,630,278	(3,921,133)	Net investments in available-for-sale securities	(544,495,980)		226,383,493			
288,247	48,036	Net investments in held-to-maturity securities	6,670,332		40,026,494			
27,516	18,815	Dividends received	2,612,755		3,820,934			
(20,443)	(15,187)	Investments in fixed assets	(2,108,936)		(2,838,702)			
1,057	1,306	Proceeds from sale of fixed assets	181,394		146,783			
6,553	6,596	Effect of translation of net investment in foreign branches	915,995		909,953			
(781)	-	Investment in associates	-		(108,472)			
1,932,427	(3,861,567)	Net cash flows (used in) / generated from investing activities	(536,224,440)		268,340,483			
CASH FLOW FROM FINANCING ACTIVITIES								
(80)	(104)	Payments of lease obligations	(14,509)		(11,143)			
(114,836)	(182)	Dividend paid	(25,319)		(15,946,406)			
(114,916)	(286)	Net cash flow used in financing activities	(39,828)		(15,957,549)			
142,891	440,156	Increase in cash and cash equivalents	61,121,114		19,841,963			
1,057,092	1,199,983	Cash and cash equivalents at beginning of the year	166,631,774		146,789,811			
1,199,983	1,640,139	Cash and cash equivalents at end of the year	227,752,888	36	166,631,774			

The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,504 (2017: 1,498) branches in Pakistan and 21 (2017: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans scheme.

2. BASIS OF PRESENTATION

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

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

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

2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 138.8619 to 1 US Dollar has been used for 2016, 2017 and 2018 as it was the prevalent rate as on December 31, 2018.

3. STATEMENT OF COMPLIANCE

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

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

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

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

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



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

3.4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2018

The following standards, amendments and interpretations are effective for the year ended December 31, 2018. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

- Amendments to IFRS 2 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions. Effective from accounting period beginning on or after January 01, 2018.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'. Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. Effective from accounting period beginning on or after January 01, 2018.

Certain annual improvements have also been made to a number of IFRSs

3.4.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
IFRS 15 'Revenue from Contracts with Customers'	July 01, 2018 as per directive issued by the SECP
IFRS 16 'Leases'	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely earlier adoption is permitted
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle amendments to: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes; and IAS 23 Borrowing Costs.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 01, 2020

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

3.4.4 The management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's unconsolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the unconsolidated financial statements of the Bank in the period of initial application.

The management anticipates that IFRS 9, IFRS 15 and IFRS 16 will be adopted in the Bank's unconsolidated financial statements in the future periods. The application of IFRS 15, IFRS 9 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Bank's unconsolidated financial statements in respect of non mark-up / interest income, the Bank's financial assets and financial liabilities and its leases respectively.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Bank performs a detailed review.

4. BASIS OF MEASUREMENT

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted are consistent in preparation of these unconsolidated financial statement with those of the previous financial year except as disclosed in note 6 of the notes to unconsolidated financial statements.

5.1 Cash and cash equivalents

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

5.2 Investments

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

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

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

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

- Previously, the Bank's accounting policy for surplus / (deficit) on revaluation of available-for-sale securities were in accordance with the requirement of the repealed Companies Ordinance, 1984 to present the surplus / (deficit) on revaluation of available-for-sale securities as a separate item below equity which has not been carried forward in the Companies Act, 2017. Accordingly, the surplus / (deficit) on revaluation of available-for-sale investment would now be presented under equity.
- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

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

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

5.3 Repurchase and resale agreements

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

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

5.4 Derivative financial instruments

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

5.5 Financial instruments

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

5.6 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances by the banks) for classification of non-performing loans and advances and computing provision there against. Such regulations also require the Bank to maintain general provision against consumer and SME advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

5.7 Fixed assets and depreciation

5.7.1 Property and equipment

5.7.1.1 Owned assets

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

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

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

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

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

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

5.7.1.2 Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

5.7.1.3 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.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

5.7.2 Capital work-in-progress

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

5.7.3 Impairment

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

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

5.8 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to profit and loss account applying the straight-line method at the rates stated in note 13. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

5.9 Non-banking assets acquired in satisfaction of claims

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

5.10 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

5.11 Taxation

5.11.1 Current

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

5.11.2 Deferred

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

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

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



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

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

5.12 Employee benefits

5.12.1 Defined benefit plans

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

5.12.2 Other employee benefits

Employees' compensated absences

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

5.13 Revenue recognition

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

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

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

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

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

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

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

The bank follows the 'financing method' in accounting for recognition of finance lease. At the commencement of a lease, the total unearned finance income i.e. the excess of aggregate installment contract receivables plus residual value over the cost of the leased asset is amortized over the term of the lease, applying the annuity method, so as to produce a constant periodic rate of return on the net investment in finance leases. Initial direct costs are deferred and amortized over the lease term as a yield adjustment.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

5.14 Net investment in finance lease

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

5.15 Foreign currencies translation

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

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

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

Items included in the financial statements of the Bank's foreign branches are measured using the currency of the primary economic environment in which the Bank operates (the functional currency).

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

5.16 Provision for off balance sheet obligations

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

5.17 Off setting

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

5.18 Fiduciary assets

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

5.19 Dividend and other appropriations

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

5.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2018.

5.21 Segment reporting

The Bank's segmental reporting is in accordance with IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team. All transactions between business segments are conducted on an arm's-length basis. Income and expenses directly associated with each segment are included in determining business segment performance.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

Business segments

The Bank is operating following business lines for monitoring and reporting purpose

- I. **Commercial and Retail Banking** consists of loans, deposits and other banking services to individuals, agriculture, consumers, SME and commercial customers.
- II. **Corporate Banking** consists of lending for project finance, trade finance and working capital to corporate customers.
- III. Treasury consists of proprietary trading, fixed income, equity, derivatives and foreign exchange business. Also includes credit, lending and funding activities with professional market counterparties.
- IV. **International Banking** is considered as a separate segment for monitoring and reporting purpose and consists of the Bank's operations outside of Pakistan.
- V. **Aitemaad Islamic Banking**; for monitoring and reporting purpose Islamic Banking has also been reported separately as a separate business segment.
- VI. **Head Office / Others** includes corporate items and business results not shown separately in one of the above segment.

Geographical segments

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

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

5.22 Accounting estimates and judgments

The preparation of 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 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 thereagainst on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken during the year in determining provisioning amount.

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

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

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

b) Fair value of derivatives

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

c) Impairment of available-for-sale investments

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

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

d) Held-to-maturity investments

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



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

e) Income taxes

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

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

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

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

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 38. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

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

6. CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, Section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the requirements of IFRS. Accordingly, in accordance with the requirements of International Accounting Standard (IAS)-16 Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Bank's policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and building are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit and loss account, the increase is first recognised in profit and loss account. Decreases that reverse previous increases of asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit and loss account. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit and loss account and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on fixed assets to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 Accounting policies, Changes in Accounting Estimates and Errors and comparative figures have been restated.

	As at December 31, 2017			As at December 31, 2016		
	As previously reported	Restatement	As restated	As previously reported	Restatement	As restated
	Rupees in '000					
Effect on statement of financial position						
Surplus on revaluation of assets - net	49,689,402	(49,689,402)	-	56,718,153	(56,718,153)	-
Equity	125,692,679	49,689,402	175,382,081	120,014,623	56,718,153	176,732,776
Effect on statement of changes in equity						
Surplus on revaluation of assets - net	-	49,689,402	49,689,402	-	56,718,153	56,718,153



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 Rupees in '000	2017
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		39,549,448	29,007,736
Foreign currency		4,415,703	3,654,759
		43,965,151	32,662,495
With State Bank of Pakistan in			
Local currency current account	7.1	130,180,519	89,109,444
Foreign currency current account	7.2	7,029,780	4,872,088
Foreign currency deposit account	7.2	21,240,971	14,580,863
Foreign currency collection account		1,812,339	933,308
		160,263,609	109,495,703
With other central banks in			
Foreign currency current account	7.3	41,438,832	17,019,562
Foreign currency deposit account	7.3	1,455,866	587,511
		42,894,698	17,607,073
Prize bonds		394,812	324,348
		247,518,270	160,089,619

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 0.75% per annum (2017: 0% to 1.5% per annum).

	Note	2018 Rupees in '000	2017
8. BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit account	8.1	4,307	2,808,878
		4,307	2,808,878
Outside Pakistan			
In current account		6,437,346	7,644,195
In deposit account	8.2	5,760,367	15,950,833
		12,197,713	23,595,028
		12,202,020	26,403,906

8.1 These include various deposits with banks and carry interest at rates ranging from 4% to 9.25% per annum (2017: 3.16% to 5.9% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 2.16% per annum (2017: 0% to 4.1% per annum).



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	Note	2018 Rupees in '000	2017
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	8,240,800	1,540,800
Repurchase agreement lendings (reverse repo)	9.2	96,733,168	25,373,963
Bai Muajjal receivable with State Bank of Pakistan	9.3	1,417,699	-
Letters of placement	9.4	176,150	177,500
	9.5	106,567,817	27,092,263
Less: provision held against lendings to financial institutions	9.6	(176,150)	(176,150)
Lendings to financial institutions - net of provision		106,391,667	26,916,113
9.1	This represents zero rate lending to a financial institution amounting to Rs. 40.8 million (2017: Rs. 40.8 million) which is guaranteed by the SBP.		
9.2	These carry mark-up at rates ranging from 8.45% to 10.41% per annum (2017: 5.7% to 6.05% per annum) with maturities ranging from January 2, 2019 to January 14, 2019.		
9.3	This represents Bai Muajjal agreement entered into with SBP and carries mark-up rate of 6.33% per annum.		
9.4	These are overdue placements and full provision has been made against these placements as at December 31, 2018.		
		2018	2017
		Rupees in '000	
9.5 Particulars of lending			
In local currency		106,567,817	27,092,263
In foreign currencies		-	-
		106,567,817	27,092,263
9.6 Movement in provision held against lendings is as follows:			
Opening balance		176,150	173,500
Charge for the year		-	-
Transfer upon amalgamation of NBP Leasing Limited		-	2,650
Closing balance		176,150	176,150



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

9.7 Securities held as collateral against Lendings to financial institutions

	2018			2017		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	70,283,168	-	70,283,168	21,873,963	-	21,873,963
Pakistan Investment Bonds	26,450,000	-	26,450,000	3,500,000	-	3,500,000
Total	96,733,168	-	96,733,168	25,373,963	-	25,373,963

9.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 95,739 million (2017: Rs. 25,401 million).

9.8 Category of classification

	2018		2017	
	Classified Lending	Provision held	Classified Lending	Provision held
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	176,150	176,150	176,150	176,150
	176,150	176,150	176,150	176,150
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	176,150	176,150	176,150	176,150



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018					2017				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value		
Rupees in '000										
10. INVESTMENTS										
10.1 Investments by type:										
Held-for-trading securities										
Market Treasury Bills	149,885,647	-	(973)	149,884,674	683,059,633	-	(12,065)	683,047,568		
Pakistan Investment Bonds	2,333,574	-	(67)	2,333,507	2,638,247	-	1,763	2,636,484		
Ordinary shares of listed companies	1,190	-	7	1,197	-	-	-	-		
	152,220,411	-	(1,033)	152,219,378	685,697,880	-	(13,829)	685,684,051		
Available-for-sale securities										
Pakistan Investment Bonds	207,581,489	-	(12,318,101)	195,263,388	132,597,777	-	955,325	133,553,102		
Market Treasury Bills	592,123,867	-	(28,707)	592,095,160	138,558,842	-	(1,674)	138,557,168		
Ijarah Sukuks	9,740,000	-	(56,116)	9,683,884	11,123,387	-	69,927	11,193,314		
Ordinary shares of listed companies	26,005,893	(3,978,333)	17,031,223	39,058,783	23,202,143	(2,679,146)	24,607,730	45,130,727		
Ordinary shares of unlisted companies	2,005,182	(410,893)	-	1,594,289	1,381,912	(398,923)	-	982,989		
Preference shares	570,535	(433,444)	(11,155)	125,936	556,944	(4,774)	118,726	118,726		
Investments in mutual funds	819,646	(40,642)	1,248,404	2,027,408	1,149,646	(36,001)	1,591,407	2,705,052		
Ordinary shares of a bank outside Pakistan	463,295	-	15,570,989	16,034,284	463,295	-	10,843,713	11,307,008		
Term Finance Certificates / Musharika and Sukuk Bonds	58,762,773	(4,761,669)	2,264,936	56,266,040	53,541,406	(5,925,187)	58,364	47,674,583		
GoP Foreign Currency Bonds	25,462,626	-	(515,692)	24,946,934	16,823,587	-	338,008	17,161,595		
Foreign Government Securities	968,567	-	(148,117)	820,450	548,752	-	(178)	548,574		
Foreign Currency Debt Securities	1,551,903	-	(94,342)	1,457,561	1,612,105	-	17,814	1,629,919		
	926,055,776	(9,624,981)	22,943,322	939,374,117	381,559,796	(9,472,701)	38,475,662	410,562,757		
Held-to-maturity securities										
Pakistan Investment Bonds	157,346,442	-	-	157,346,442	169,476,489	-	-	169,476,489		
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	696,956	(412,384)	-	284,572	710,713	(424,834)	-	285,879		
GoP Foreign Currency Bonds	2,859,233	-	-	2,859,233	2,309,720	-	-	2,309,720		
Foreign Government Securities	25,866,066	-	-	25,866,066	20,942,215	-	-	20,942,215		
Foreign Currency Debt Securities	532	-	-	532	424	-	-	424		
	186,769,229	(412,384)	-	186,356,845	193,439,561	(424,834)	-	193,014,727		
Associates	4,970,863	(3,793,405)	-	1,177,458	4,970,863	(3,771,845)	-	1,199,018		
Joint Venture	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433		
Subsidiaries	3,906,750	(1,077,593)	-	2,829,157	3,906,750	(1,010,186)	-	2,896,564		
Total investments	1,276,285,462	(14,908,363)	22,942,289	1,284,319,388	1,271,937,283	(14,679,566)	38,461,833	1,295,719,550		

Note

10.12/10.13

10.6

10.8/10.9

10.11



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

10.2 Investments by segments:

	2018					2017						
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
Rupees in '000												
Federal Government Securities												
Market Treasury Bills	742,009,514	-	(29,680)	741,979,834	821,618,475	-	(13,739)	821,604,736	821,618,475	-	(13,739)	821,604,736
Pakistan Investment Bonds	367,261,505	-	(12,318,168)	354,943,337	304,712,513	-	953,561	305,666,074	304,712,513	-	953,561	305,666,074
jarah Sukuks	9,740,000	-	(56,116)	9,683,884	11,123,387	-	69,927	11,193,314	11,123,387	-	69,927	11,193,314
GoP Foreign Currency Bonds	28,321,859	-	(515,692)	27,806,167	19,133,307	-	338,008	19,471,315	19,133,307	-	338,008	19,471,315
	1,147,332,878	-	(12,919,656)	1,134,413,222	1,156,587,682	-	1,347,757	1,157,935,439	1,156,587,682	-	1,347,757	1,157,935,439
Shares												
Listed Companies	26,007,083	(3,978,333)	17,031,230	39,059,980	23,202,143	(2,679,146)	24,607,730	45,130,727	23,202,143	(2,679,146)	24,607,730	45,130,727
Unlisted Companies	2,005,182	(410,893)	-	1,594,289	1,381,912	(398,923)	-	982,989	1,381,912	(398,923)	-	982,989
	28,012,265	(4,389,226)	17,031,230	40,654,269	24,584,055	(3,078,069)	24,607,730	46,113,716	24,584,055	(3,078,069)	24,607,730	46,113,716
Term Finance Certificates / Musharika / Bonds / Debentures and Sukuk Bonds												
Listed	7,611,767	(51,719)	-	7,560,048	6,020,067	(51,719)	-	5,968,348	6,020,067	(51,719)	-	5,968,348
Unlisted	51,847,962	(5,122,334)	2,264,936	48,990,564	48,232,052	(6,298,302)	58,364	41,992,114	48,232,052	(6,298,302)	58,364	41,992,114
	59,459,729	(5,174,053)	2,264,936	56,550,612	54,252,119	(6,350,021)	58,364	47,960,462	54,252,119	(6,350,021)	58,364	47,960,462
Foreign Securities												
Foreign Government Securities	26,834,633	-	(148,117)	26,686,516	21,490,967	-	(178)	21,490,789	21,490,967	-	(178)	21,490,789
Foreign Currency Debt Securities	1,552,435	-	(94,342)	1,458,093	1,612,529	-	17,814	1,630,343	1,612,529	-	17,814	1,630,343
	28,387,068	-	(242,459)	28,144,609	23,103,496	-	17,636	23,121,132	23,103,496	-	17,636	23,121,132
Preference shares	570,535	(433,444)	(11,155)	125,936	556,944	(433,444)	(4,774)	118,726	556,944	(433,444)	(4,774)	118,726

Note



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018					2017						
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
Investments in mutual funds	819,646	(40,642)	1,248,404	2,027,408	1,149,646	(36,001)	1,591,407	2,705,052				
Ordinary shares of a bank outside Pakistan	463,295	-	15,570,989	16,034,284	463,295	-	10,843,713	11,307,008				
Associates Listed												
First Credit and Investment Bank Limited	157,429	(106,430)	-	50,999	157,429	(106,428)	-	51,001				
Land Mark Spinning Mills Limited	39,710	(39,710)	-	-	39,710	(39,710)	-	-				
S.G. Fibres Limited	218,535	(218,535)	-	-	218,535	(218,535)	-	-				
Nina Industries Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-				
NAFA Stock Fund	600,000	-	-	600,000	600,000	-	-	600,000				
Agritech Limited	3,665,605	(3,167,336)	-	498,269	3,665,605	(3,149,314)	-	516,291				
	4,730,339	(3,581,071)	-	1,149,268	4,730,339	(3,563,047)	-	1,167,292				
Unlisted												
Pakistan Emerging Venture Limited	50,563	(50,563)	-	-	50,565	(50,565)	-	-				
National Fructose Company Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-				
National Assets Insurance Company Limited	44,817	(16,627)	-	28,190	44,815	(16,627)	-	28,188				
Dadabhoj Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-				
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(103,000)	-	3,539				
	240,524	(212,334)	-	28,190	240,524	(208,797)	-	31,726				
	4,970,863	(3,793,405)	-	1,177,458	4,970,863	(3,771,845)	-	1,199,018				
Joint Venture												
United National Bank Limited	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433				
Subsidiaries												
CJSC Subsidiary Bank of NBP in Kazakhstan	2,185,644	(660,880)	-	1,524,764	2,185,644	(660,880)	-	1,524,764				
CJSC Subsidiary Bank of NBP in Tajikistan	953,783	(289,766)	-	664,017	953,783	(289,766)	-	664,017				
NBP Exchange Company Limited	300,000	-	-	300,000	300,000	-	-	300,000				
NBP Modaraba Management Company Limited	105,000	(75,702)	-	29,298	105,000	(8,295)	-	96,705				
Taurus Securities Limited	24,725	-	-	24,725	24,725	-	-	24,725				
CashLink Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-				
NBP Fullerton Asset Management Limited	336,353	(50,000)	-	286,353	336,353	(50,000)	-	286,353				
	3,906,750	(1,077,593)	-	2,829,157	3,906,750	(1,010,186)	-	2,896,564				
Total investments	1,276,285,462	(14,908,363)	22,942,289	1,284,319,388	1,271,937,283	(14,679,566)	38,461,833	1,295,719,550				

Note

Investments in mutual funds

Ordinary shares of a bank outside Pakistan

Associates Listed

Unlisted

Joint Venture

Subsidiaries

Total investments



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

10.2.1 Investments given as collateral

Pakistan Investment Bonds
Market Treasury Bills

	2018	2017
	Rupees in '000	
	9,500,000	7,700,000
	274,350,000	311,339,019
	283,850,000	319,039,019

	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
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Rupees in '000

10.2.2 Associates Listed

First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2018	1,327,362	605,113	102,649	9,190	6,323
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2018	176,793	239,102	-	(56,526)	53,209
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2018	577,584	430,276	4,168	(5,598)	7,688
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
Agritech Limited	106,014,565	26.95	Pakistan	December 31, 2016	47,904,596	43,497,929	8,238,583	(2,308,925)	(2,318,005)
NAFA Stock Fund	31,347,444	3.06	Pakistan	June 30, 2018	15,224,508	240,568	(1,288,614)	(1,778,166)	(1,778,166)

Unlisted

Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2018	1,369	345	-	(445)	(445)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2017	625,298	4,051	32,177	7,665	7,290
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhai Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
	Rupees in '000								
10.2.3 Joint Venture									
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2018	2,343,392	2,381,107	264,608	41,113	41,113
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2018	88,385,262	75,810,898	2,048,169	(742,553)	(2,191,828)
10.2.4 Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan	8,650	100.00	Kazakhstan	December 31, 2018	1,748,364	114,990	88,700	(23,968)	(23,968)
CJSC Subsidiary Bank of NBP in Tajikistan	10,000	100.00	Tajikistan	December 31, 2018	1,730,656	954,962	177,646	20,251	20,251
NBP Exchange Company Limited	85,758,750	100.00	Pakistan	December 31, 2018	1,025,526	18,297	337,879	142,610	142,610
National Bank Modaraba Management Company Limited	10,500,000	100.00	Pakistan	December 31, 2018	123,311	94,013	5,956	(4,309)	(4,309)
Taurus Securities Limited	7,875,002	58.32	Pakistan	December 31, 2018	748,965	441,965	120,187	(14,181)	(14,181)
CastNLink Products Limited	1,245,000	76.51	Pakistan	N/A	-	-	-	-	-
NBP Fund Management Limited	13,499,996	54.00	Pakistan	December 31, 2018	1,808,960	869,283	1,478,555	312,348	312,348



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
10.3 Provision for diminution in value of investments		
Opening balance	14,679,566	17,404,984
Charge / reversals		
Charge for the year	1,599,536	1,537,553
Reversals for the year	(1,370,739)	(3,281,087)
	228,797	(1,743,534)
Transfers - net	-	(1,004,153)
Others movement	-	22,269
Closing balance	<u>14,908,363</u>	<u>14,679,566</u>

10.3.1 Particulars of provision against debt securities

Category of classification

	2018		2017	
	NPI	Provision	NPI	Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	5,182,817	5,174,053	6,417,651	6,350,020
	<u>5,182,817</u>	<u>5,174,053</u>	<u>6,417,651</u>	<u>6,350,020</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
>365 days	-	-	-	-
	-	-	-	-
Total	<u>5,182,817</u>	<u>5,174,053</u>	<u>6,417,651</u>	<u>6,350,020</u>



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
10.4 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	592,123,867	138,558,842
Pakistan Investment Bonds	207,581,489	132,597,777
Ijarah Sukuks	9,740,000	11,123,387
Cost	809,445,356	282,280,006
Shares		
Listed companies sector-wise		
Automobile Assembler	78,753	-
Automobile Parts & Accessories	848,644	723,006
Cable and Electrical Goods	235,374	95,324
Cement	1,976,437	892,657
Chemical	297,650	332,023
Commercial Banks	2,915,297	2,343,998
Engineering	680,678	346,353
Fertilizer	1,716,509	1,534,852
Food and Personal Care	1,347,825	1,315,825
Glass and Ceramics	73,016	73,016
Insurance	1,015,885	930,801
Investment Banks / Investment companies / Securities companies	186,718	188,340
Leasing Companies	21,891	21,891
Leather and Tanneries	215,712	215,712
Miscellaneous	86,486	86,486
Modarabas	120	120
Oil and Gas Exploration Companies	520,332	594,591
Oil and Gas Marketing Companies	5,794,620	5,871,570
Paper and Board	299,373	250,446
Pharmaceuticals	465,244	378,855
Power Generation and Distribution	2,791,685	2,934,944
Real Estate Investment Trust	583,581	577,163
Refinery	1,253,494	1,276,375
Sugar and Allied Industries	288,527	288,527
Synthetic and Rayon	91,980	91,980
Technology and Communication	950,961	950,961
Textile Composite	690,218	503,771
Textile Spinning	514,186	349,524
Transport	32,385	32,385
Vanaspati and Allied Industries	31,665	-
Woolen	647	647
	26,005,893	23,202,143



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted companies				
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
JDM Textile Mills Limited	4,784	331,931	4,784	308,584
Gelcaps Pakistan Limited	4,665	25,340	4,665	25,340
INTECH International Incorporation	-	-	-	-
Pakistan Agriculture Storage Service Corporation (Face value: Rs. 1,000 each)	5,500	109,831	5,500	109,831
Resources and Engineering Management Corporation (Private) Limited	-	(484,696)	-	(484,696)
Sigma Knitting Mills (Private) Limited	-	(6,793)	-	(6,793)
Al Ameen Textile	328	N/A	328	N/A
Al Zamin Modarba Management (Private) Limited	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	122	N/A	122	N/A
Arabian Sea Country Club	6,500	N/A	6,500	N/A
Atlas Power Limited	375,000	822,501	375,000	805,365
Attock Textile Mills Limited	200	(1,412)	200	(1,412)
Bankers Equity Limited	-	5,646	-	5,646
Bunny's Limited	235,200	128,556	235,200	126,273
Pakistan Mortgage Refinance Company Limited	600,000	400,950	26,730	400,950
Dadabhoy Leasing Company Limited	-	2,327	-	2,327
F.T.C. Management Company Private Limited	250	34,657	250	34,657
Fauji Akbar Portia Marines Terminal Limited	321,076	171,350	321,076	212,867
Fauji Oil Terminals and Distribution Limited	10,886	45,199	10,886	36,519
First Women Bank Limited	21,100	71,946	21,100	86,234
Fortune Securities Limited	5,000	8,975	5,000	8,334
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
Insecta Pakistan Limited	-	315	-	315
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	36,058	30,346	36,286
Junaid Cotton Mills Limited	328	N/A	328	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Film Development Corporation Limited	-	(1,825)	-	(1,825)
National Institution of Facilitation Technology (Private) Limited	1,526	71,187	1,526	28,030
National Investment Trust Limited	100	1,796	100	1,796
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Newyork Poly Clinic of Karachi	-	(241)	-	(241)
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	21,800
Pakistan Tourism Development Corporation	100	24,983	100	24,983
People Steel Mills Limited	3,276	N/A	3,276	N/A



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted companies				
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,958	107,895	16,958	107,895
Rishabh Metals & Chemicals Private Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,175,636	132,888	1,754,374
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoab Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Ind.	2	N/A	2	N/A
Transmobile Limited	-	(44)	-	(44)
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A
Zulsham Engineering Works Limited	330	N/A	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Guarantee) Ltd	50,000	N/A	-	N/A
	<u>2,005,182</u>		<u>1,381,912</u>	

	2018	2017
	Rupees in '000	
Debt Securities		
Listed		
- AAA	1,897,847	2,232,310
- AA+, AA, AA-	4,447,877	2,072,442
- A+, A, A-	419,073	419,161
- Unrated	9,326,145	12,731,877
Cost	<u>16,090,942</u>	<u>17,455,790</u>
Unlisted		
- AAA	5,805,117	6,004,045
- A+, A, A-	495,299	324,782
- Unrated	36,371,414	29,756,789
Cost	<u>42,671,831</u>	<u>36,085,616</u>



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018		2017	
	Cost	Rating	Cost	Rating

Rupees in '000

Foreign Securities

Government Securities

USA	968,567	AA+	548,752	AA+
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2018 2017
Rupees in '000
Cost

Non Government Debt Securities

Listed

- BBB+, BBB, BBB-

1,551,903	1,612,104
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10.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds

157,346,442	169,476,489
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Debt Securities

Listed

- AA+, AA, AA-

27,948	27,948
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Unlisted

- A+, A, A-

- Unrated

100,000	100,000
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569,008	582,765
---------	---------

669,008	682,765
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Foreign Securities

	2018		2017	
	Cost	Rating	Cost	Rating

Rupees in '000

Government Securities

Azerbaijan

568,321	BB+
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456,013	BB-
---------	-----

BB-

Bangladesh

22,116,609	BB-
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18,044,077	B2
------------	----

Ba3

Kyrgyzstan

1,115,602	B2
-----------	----

795,905	A+
---------	----

B2

Kingdom of Saudi Arabia

2,065,534	A+
-----------	----

1,646,220	
-----------	--

A+

25,866,066	
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20,942,215	
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Non Government Debt Securities

2018 2017
Rupees in '000
Cost

Listed

- Unrated

532	424
-----	-----

424

10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 172,378 million (2017: Rs. 194,981 million).

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

The Bank holds 30,333,333 (2017: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2017: 5.83%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at BBB+ by Fitch Rating Agency.



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

10.7 The 94,273,510 (2017: 94,273,510) shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2018 amounted to Rs. 4.70 per share resulting in an impairment of Rs. 3,167 million (2017: Rs. 3,149 million) which has been fully recorded in these unconsolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

10.8 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,267 million (2017: Rs. 888 million).

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

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

	Year / Period ended	Break-up value
	Rupees in '000	
National Assets Insurance Limited	December 31, 2017	55,682
Pakistan Emerging Venture Limited	June 30, 2018	341
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)
Dadabhoj Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2018	(12,815)

	Note	2018	2017
		Rupees in '000	
10.11 Investments in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.11.1	2,362,433	2,362,433

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

10.12 The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2017: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

10.13 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (31,712,706 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2018 amounts to Rs. 8,618 million. These shares can not be sold without concurrence of privatization commission.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

11. ADVANCES

Note	Performing		Non Performing		Total	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Loans, cash credits, running finances, etc.	880,003,382	696,888,608	126,902,168	115,040,499	1,006,905,550	811,929,107
Islamic financing and related assets	26,741,733	18,946,404	364,825	191,794	27,106,558	19,138,198
Net Investment in Finance Lease	80,543	439,053	24,104	145,516	104,647	584,569
Bills discounted and purchased	19,294,694	19,866,082	6,068,698	5,419,816	25,363,392	25,285,898
Advances - gross	926,120,352	736,140,147	133,359,795	120,797,625	1,059,480,147	856,937,772
Provision against advances						
- Specific	-	-	126,266,039	110,650,722	126,266,039	110,650,722
- General	7,207,104	6,515,067	-	-	7,207,104	6,515,067
Advances - net of provision	918,913,248	729,625,080	7,093,756	10,146,903	926,007,004	739,771,983

11.1 Net investment in finance lease

	2018			2017		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees in '000					
Lease rentals receivable	29,146	27,840	56,986	336,007	171,107	507,114
Residual value	41,211	16,477	57,688	82,862	74,347	157,209
Minimum lease payments	70,357	44,317	114,673	418,869	245,454	664,323
Financial charges for future periods	7,516	2,510	10,026	64,757	14,997	79,754
Present value of minimum lease payments	62,841	41,807	104,647	354,112	230,457	584,569

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 favour of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.47% (2017: 9.16% to 11.64%) per annum.

11.2 Particulars of advances (Gross)

	2018	2017
	Rupees in '000	
In local currency	969,752,303	778,778,045
In foreign currencies	89,727,844	78,159,727
	1,059,480,147	856,937,772



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

11.3 Advances includes Rs.133,360 million (2017: Rs.120,798 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	1,272,606	64,543	1,272,524	44,589
Substandard	3,783,452	923,008	5,623,565	1,348,968
Doubtful	1,398,861	689,032	2,442,003	1,181,602
Loss	87,723,307	86,518,782	79,712,319	77,266,217
Overseas	94,178,226	88,195,365	89,050,411	79,841,376
Not past due but impaired				
Overdue by				
Upto 90 days	-	-	55,531	13,883
91 to 180 days	-	-	25,767	12,884
181 to 365 days	39,181,569	38,070,674	31,665,916	30,782,579
> 365 days	39,181,569	38,070,674	31,747,214	30,809,346
Total	133,359,795	126,266,039	120,797,625	110,650,722

11.4 Particulars of provision against advances

Note	2018		2017	
	Specific	General	Specific	General
	Rupees in '000			
Opening balance	110,650,722	6,515,067	109,655,106	4,431,206
Exchange adjustments	7,687,525	111,207	950,913	15,534
Charge for the year	14,157,878	1,330,247	2,994,241	2,558,971
Reversals	(5,956,687)	(749,416)	(3,994,298)	(490,644)
	8,201,191	580,831	(1,000,057)	2,068,327
Amounts written off	(12,118)	-	(899)	-
Amounts charged off - agriculture financing	(261,281)	-	(2,981)	-
Transfer from investments	-	-	1,004,153	-
Other transfer	-	-	44,487	-
Closing balance	126,266,039	7,207,104	110,650,722	6,515,067
11.4.1 Particulars of provision against advances				
	Specific	General	Specific	General
	Rupees in '000			
In local currency	88,195,365	6,949,253	79,839,776	6,065,671
In foreign currencies	38,070,674	257,851	30,810,946	449,396
	126,266,039	7,207,104	110,650,722	6,515,067



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

The Bank has also maintained general provision of Rs. 2,500 million (2017: Rs. 1,700 million) in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2018.

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

	Note	2018 Rupees in '000	2017
11.5	Particulars of write-offs		
11.5.1	Against provisions	12,118	899
11.5.2	Write-offs of Rs. 500,000 and above		
	- Domestic	1,835	875
	- Overseas	-	-
	Write-offs of below Rs. 500,000	10,283	24
		12,118	899

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

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

	Note	2018 Rupees in '000	2017
12.	FIXED ASSETS		
	Capital work-in-progress	1,934,605	1,823,690
	Property and equipment	51,925,278	30,386,389
		53,859,883	32,210,079
12.1	Capital work-in-progress		
	Civil works	1,863,208	1,757,201
	Equipment	15,884	19,468
	Advances to suppliers and contractors	55,513	47,021
		1,934,605	1,823,690



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

12.2 Property and equipment

		2018									
		Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
		Rupees in '000									
At January 1, 2018		11,209,212	10,380,661	3,036,962	2,912,966	4,287,262	3,691,588	4,539,232	1,105,121	165,253	41,328,257
Cost / revalued amount		-	-	(554,785)	(458,819)	(2,722,106)	(3,266,810)	(3,466,794)	(307,302)	(165,252)	(10,941,868)
Accumulated depreciation		11,209,212	10,380,661	2,482,177	2,454,147	1,565,156	424,778	1,072,438	797,819	1	30,386,389
Net book value		-	-	-	-	-	-	-	-	-	-
Year ended December 2018											
Opening net book value		11,209,212	10,380,661	2,482,177	2,454,147	1,565,156	424,778	1,072,438	797,819	1	30,386,389
Additions		-	-	4,307	21,811	740,534	294,461	587,715	322,148	-	1,970,975
Movement in surplus on assets revalued		8,917,543	8,304,090	3,425,617	939,428	-	-	-	-	-	21,586,678
Disposals		(17,874)	-	(1,218)	-	(6,700)	(1,905)	(1,629)	(207,465)	-	(236,791)
Depreciation charge		-	-	(107,233)	(97,040)	(604,145)	(421,146)	(515,116)	(305,722)	-	(2,050,403)
Depreciation adjustment - disposal		-	-	-	-	5,523	1,593	947	180,163	-	188,226
Exchange rate adjustments		-	-	-	80,203	-	-	-	-	-	80,203
Closing net book value		20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,944	1	51,925,278
At December 31, 2018											
Cost / revalued amount		20,108,881	18,684,751	6,465,668	3,954,408	5,021,096	3,984,144	5,125,317	1,219,805	165,253	64,729,323
Accumulated depreciation		-	-	(662,018)	(555,859)	(3,320,728)	(3,686,363)	(3,980,963)	(432,861)	(165,252)	(12,804,044)
Net book value		20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,944	1	51,925,278
Rate of depreciation (percentage)		Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

		2017									
		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, 2017											
Cost / Revalued amount		11,209,437	10,377,666	3,017,079	2,825,623	3,775,899	3,367,457	3,984,702	938,545	165,253	39,661,661
Accumulated depreciation		-	-	(432,315)	(345,347)	(2,167,781)	(2,914,766)	(2,915,955)	(274,691)	(139,373)	(9,190,228)
Net book value		11,209,437	10,377,666	2,584,764	2,480,276	1,608,118	452,691	1,068,747	663,854	25,880	30,471,433
Year ended December 2017											
Opening net book value		11,209,437	10,377,666	2,584,764	2,480,276	1,608,118	452,691	1,068,747	663,854	25,880	30,471,433
Additions		-	2,995	19,883	87,343	524,821	325,009	555,444	420,300	-	1,935,795
Disposals		-	-	-	-	(13,458)	(878)	(914)	(253,724)	-	(268,974)
Depreciation charge		-	-	(122,470)	(113,472)	(562,112)	(352,876)	(551,375)	(266,230)	(25,879)	(1,994,414)
Depreciation adjustment - disposal		-	-	-	-	7,787	832	536	233,619	-	242,774
Other adjustments / transfers		(225)	-	-	-	-	-	-	-	-	(225)
Closing net book value		11,209,212	10,380,661	2,482,177	2,454,147	1,565,156	424,778	1,072,438	797,819	1	30,386,389
At December 31, 2017											
Cost / Revalued amount		11,209,212	10,380,661	3,036,962	2,912,966	4,287,262	3,691,588	4,539,232	1,105,121	165,253	41,328,257
Accumulated depreciation		-	-	(554,785)	(458,819)	(2,722,106)	(3,266,810)	(3,466,794)	(307,302)	(165,252)	(10,941,868)
Net book value		11,209,212	10,380,661	2,482,177	2,454,147	1,565,156	424,778	1,072,438	797,819	1	30,386,389
Rate of depreciation (percentage)		Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	

During the year ended December 31, 2018, land and building were revalued having original cost of Rs. 27,540 million and having market value of Rs. 47,684 million as at reporting date. The basis of revaluations were full scope valuations and were carried by RBS associates Pvt. Limited (PBA registered value) resulting in surplus of Rs.21,587 million. For the purpose of the value assessment, factors like commercial value, location, utilization, nature of title etc. were kept in mind.

The carrying amount of each class of property and equipment that would have been included in the financial statements had the assets not been carried at revalued amount are as follows:

	Rupees in '000
- Land freehold	11,209,212
- Land leasehold	10,380,661
- Building on freehold land	2,374,944
- Building on leasehold land	2,357,106

The cost of fully depreciated property and equipment that are still in use are as follows:

	Rupees in '000
Furniture and fixture	367,766
Computer and peripheral equipment	21,033
Electrical, office equipment	417,566



Notes to the Unconsolidated Financial Statements

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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 are given below:

Particulars Of Property and Equipment	Original Cost	Book Value	Sale Proceed	Gain / Loss on disposal	Mode Of Disposal	Particulars Of Purchaser
Rupees in '000						
Vehicles	1,572	314	314	-	As per entitlement	Ex-Employee MUHAMMAD NUSRAT
Vehicles	1,572	314	314	-	As per entitlement	Employee NUSRAT ILYAS
Vehicles	1,658	995	995	-	As per entitlement	Ex-Employee AZMAT MOIZ
Vehicles	1,673	1,087	1,087	-	As per entitlement	Ex-Employee MUHAMMAD RAMZAN BALOCH
Vehicles	1,658	884	884	-	As per entitlement	Ex-Employee M KHURRAM KHAWAJA
Vehicles	1,658	829	829	-	As per entitlement	Ex-Employee YASIR ISHAQ ANSARI
Vehicles	1,673	1,227	1,227	-	As per entitlement	Ex-Employee TASMUM HAIDER
Vehicles	1,572	314	314	-	As per entitlement	Ex-Employee RIFFAT SULTANA MUGHAL
Vehicles	1,572	183	183	-	As per entitlement	Ex-Employee M.RASHID GHANI
Vehicles	1,658	884	884	-	As per entitlement	Ex-Employee MUHAMMAD IFTIKHAR
Vehicles	1,858	1,207	1,207	-	As per entitlement	Ex-Employee MEHMOOD SIDDIQUI
Vehicles	1,557	467	467	-	As per entitlement	Ex-Employee SHAHID RAZZAK
Vehicles	5,106	2,127	2,127	-	As per entitlement	Ex-Employee MUDASSIR H KHAN
Vehicles	1,873	1,217	1,217	-	As per entitlement	Ex-Employee MOHSIN FURQAN
Vehicles	1,673	718	718	-	As per entitlement	Ex-Employee SYED SHABBIR AHMED
Vehicles	21,800	14,533	14,533	-	As per entitlement	Ex-President AHMED IQBAL ASHRAF
	50,126	27,302	27,302	-		
Furniture and fixtures	175	25	25	-	As per entitlement	Ex-Employee RAEES AHMED
Furniture and fixtures	150	13	13	-	As per entitlement	Ex-Employee MUHAMMAD MUZAMMIL KHAN
Furniture and fixtures	150	24	24	-	As per entitlement	RAO ABDUL GHAFFAR KHAN
Furniture and fixtures	150	3	3	-	As per entitlement	Ex-Employee MUHAMMAD BASHIR
Furniture and fixtures	150	60	60	-	As per entitlement	Ex-Employee MUDDASIR HAMID
Furniture and fixtures	150	46	46	-	As per entitlement	Ex-Employee SHAFQAT HUSSAIN GURESHI
Furniture and fixtures	150	43	43	-	As per entitlement	Ex-Employee TARIQ JAVED CHEEMA
Furniture and fixtures	125	25	25	-	As per entitlement	Ex-Employee ILYAS AHMED
Furniture and fixtures	150	25	25	-	As per entitlement	Ex-Employee MUHAMMAD BASHIR
Furniture and fixtures	150	13	13	-	As per entitlement	Ex-Employee NASRULLAH PACHOHO
Furniture and fixtures	125	20	20	-	As per entitlement	Ex-Employee SYED TANVEER AHMED
Furniture and fixtures	150	29	29	-	As per entitlement	Ex-Employee SYED SHAHZAD ALI
Furniture and fixtures	150	45	45	-	As per entitlement	Ex-Employee ALTAF HUSSAIN MIRZA
Furniture and fixtures	175	53	53	-	As per entitlement	Ex-Employee SOHAIL AKHTAR
Furniture and fixtures	175	34	34	-	As per entitlement	Ex-Employee MUHAMMAD RAMZAN BALOCH
Furniture and fixtures	150	45	45	-	As per entitlement	Ex-Employee MUNEEB AHMED SALEEM
Furniture and fixtures	150	10	10	-	As per entitlement	Ex-Employee MUHAMMAD AJAB
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee MUHAMMAD ANWAR
Furniture and fixtures	150	24	24	-	As per entitlement	Ex-Employee MUHAMMAD ZAHID
Furniture and fixtures	125	43	43	-	As per entitlement	Ex-Employee YOUSAF IHSAN
Furniture and fixtures	175	10	10	-	As per entitlement	Ex-Employee ABDUL HAMEED MEMON
Furniture and fixtures	125	11	11	-	As per entitlement	Ex-Employee GHULAM SHABBIR
Furniture and fixtures	175	67	67	-	As per entitlement	Ex-Employee ANWAR AHMED SIDDIQUI
Furniture and fixtures	150	3	3	-	As per entitlement	Ex-Employee SHEKH MUHAMMAD SULTAN
Furniture and fixtures	125	22	22	-	As per entitlement	Ex-Employee MUHAMMAD BASHIR
Furniture and fixtures	175	38	38	-	As per entitlement	Ex-Employee M.RASHID GHANI
Furniture and fixtures	175	48	48	-	As per entitlement	Ex-Employee SHAHID AHMED
Furniture and fixtures	125	12	12	-	As per entitlement	Ex-Employee LATE MAZHAR ALI ABBASI
Furniture and fixtures	150	23	23	-	As per entitlement	Ex-Employee ZAHIRUDDIN BABAR
Furniture and fixtures	175	10	10	-	As per entitlement	Ex-Employee CH. AIJAZ HUSSAIN
Furniture and fixtures	150	17	17	-	As per entitlement	Ex-Employee FARAZ AHMED
Furniture and fixtures	150	21	21	-	As per entitlement	Ex-Employee ABDUL RAZZAQ
Furniture and fixtures	175	9	9	-	As per entitlement	Ex-Employee ABDUL MANNAN
Furniture and fixtures	150	33	33	-	As per entitlement	Ex-Employee MUHAMMAD SHAFIQ
Furniture and fixtures	150	34	34	-	As per entitlement	Ex-Employee BASHARAT JAVED CHEEMA
Furniture and fixtures	150	21	21	-	As per entitlement	Ex-Employee JAVED EHSAN
Furniture and fixtures	150	10	10	-	As per entitlement	Ex-Employee MUHAMMAD ABDUL QAYYUM
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee RIAZ HUSSAIN SHAH
Furniture and fixtures	150	20	20	-	As per entitlement	Ex-Employee MUHAMMAD ARIF YOUSUF
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee MUHAMMAD IQBAL MIR
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee MANZOOR AHMED
Furniture and fixtures	150	23	23	-	As per entitlement	Ex-Employee MUHAMMAD NAEEM AKHTAR
Furniture and fixtures	175	83	83	-	As per entitlement	Ex-Employee MUHAMMAD KHALID
Furniture and fixtures	150	21	21	-	As per entitlement	Ex-Employee SYED NAZIR HUSSAIN SHAH
	6,700	1,177	1,177	-		



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

Particulars Of Property and Equipment	Original Cost	Book Value	Sale Proceed	Gain / Loss on disposal	Mode Of Disposal	Particulars Of Purchaser
Rupees in '000						
Office Equipment	15	11	11	-	As per entitlement	Ex-Employee M.RASHID GHANI
Office Equipment	15	10	10	-	As per entitlement	Ex-Employee M KHURRAM KHAWAJA
Office Equipment	15	15	15	-	As per entitlement	Ex-Employee TARIQ SAEED RANA
Office Equipment	25	-	-	-	As per entitlement	Ex-Employee MUHAMMAD EHSAN QADIR
Office Equipment	100	79	79	-	As per entitlement	Ex-Employee MUHAMMAD ASIM AKHTAR
Office Equipment	126	-	-	-	As per entitlement	Ex-Employee AZFAR JAMAL
Office Equipment	93	-	-	-	As per entitlement	Ex-Employee K.AHSAN ELAHI
Office Equipment	95	-	-	-	As per entitlement	Ex-Employee RISHA AMEEN MOHYEDDIN
Office Equipment	96	8	8	-	As per entitlement	Ex-Employee MAHMOOD SIDDIQUI
Office Equipment	95	24	24	-	As per entitlement	Ex-Employee MUDASSIR H KHAN
Office Equipment	50	44	44	-	As per entitlement	Ex-Employee SYED SHABBIR AHMED
Office Equipment	15	3	3	-	As per entitlement	Ex-Employee S HASSAN MUSTUFA NAQVI
Electrical Installations	800	440	440	-	As per entitlement	Ex-Employee ZAHID MEHMOOD CHAUDRY
Office Equipment	90	49	49	-	As per entitlement	Ex-Employee ZAHID MEHMOOD CHAUDRY
	1,629	683	683	-		
Computer & peripheral equipments	99	-	10	10	As per entitlement	Employee MUHAMMAD FAROOQ
Computer & peripheral equipments	99	-	10	10	As per entitlement	Employee YOUSF ISMAIL
Computer & peripheral equipments	101	-	10	10	As per entitlement	Employee ABDUL RAHIM HAROON
Computer & peripheral equipments	111	-	-	-	As per entitlement	Ex-Employee MUHAMMAD EHSAN QADIR
Computer & peripheral equipments	88	56	56	-	As per entitlement	Ex-Employee AZMAT MOIZ
Computer & peripheral equipments	90	55	55	-	As per entitlement	Ex-Employee MUHAMMAD RAMZAN BALOCH
Computer & peripheral equipments	96	45	45	-	As per entitlement	Ex-Employee M KHURRAM KHAWAJA
Computer & peripheral equipments	84	-	-	-	As per entitlement	Ex-Employee TASLIM HAIDER
Computer & peripheral equipments	305	136	136	-	As per entitlement	Ex-Employee MAHMOOD SIDDIQUI
Computer & peripheral equipments	450	-	-	-	As per entitlement	Ex-Employee IMRAN JAFRI
Computer & peripheral equipments	99	4	4	-	As per entitlement	Ex-Employee UMAIR JAVED
Computer & peripheral equipments	143	-	-	-	As per entitlement	Ex-Employee ZAHID MEHMOOD CHAUDRY
Computer & peripheral equipments	140	16	16	-	As per entitlement	Ex-Employee ZAHID MEHMOOD CHAUDRY
	1,905	312	342	30		
	60,361	29,473	29,503	30		



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

13. INTANGIBLE ASSETS

At January 1, 2018

Cost	2,913,952	387,861	3,301,813
Accumulated amortisation and impairment	(2,614,324)	(145,565)	(2,759,889)
Net book value	299,628	242,296	541,924

Year ended December 2018

Opening net book value	299,628	242,296	541,924
Additions:			
- through acquisitions / purchased	-	27,046	27,046
Amortisation charge	(186,602)	(136,710)	(323,312)
Closing net book value	113,026	132,632	245,658

At December 31, 2018

Cost	2,913,952	414,907	3,328,859
Accumulated amortisation and impairment	(2,800,926)	(282,275)	(3,083,201)
Net book value	113,026	132,632	245,658

Rate of amortisation (percentage)

33.33 % on cost 33.33 % on cost

Useful life

3 years 3 years

At January 1, 2017

Cost	2,303,196	371,966	2,675,162
Accumulated amortisation and impairment	(1,770,752)	(20,469)	(1,791,221)
Net book value	532,444	351,497	883,941

Year ended December 2017

Opening net book value	532,444	351,497	883,941
Additions:			
- through acquisitions / purchased	608,726	15,895	624,621
Amortisation charge	(841,950)	(125,096)	(967,046)
Adjustments - additions	2,030	-	2,030
Adjustments - amortisation	(1,622)	-	(1,622)
Closing net book value	299,628	242,296	541,924

At December 31, 2017

Cost	2,913,952	387,861	3,301,813
Accumulated amortisation and impairment	(2,614,324)	(145,565)	(2,759,889)
Net book value	299,628	242,296	541,924

Rate of amortisation (percentage)

33.33 % on cost 33.33 % on cost

Useful life

3 years 3 years

There is no such intangible asset having indefinite useful life.

Core Banking Application	Computer software	Total
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Rupees in 000



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

14. DEFERRED TAX

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

	At January 01, 2017	Recognised in profit and loss account	Recognised in other comprehensive income	Transfer upon amalgamation of NBP Leasing Limited	At December 31, 2017
Rupees in '000					
Deductible Temporary Differences on					
- Tax losses carried forward	-	-	-	10,705	10,705
- Post retirement employee benefits	12,755,946	(624,083)	1,483,773	-	13,615,636
- Provision for diminution in the value of investments	3,613,099	(342,607)	-	8,343	3,278,835
- Provision against loan and advances	3,310,630	(2,674,030)	-	(14,210)	622,390
- Unrealised loss / (gain) on derivatives	691,907	(252,881)	-	-	439,026
- Provision against off-balance sheet obligations	116,622	-	-	-	116,622
- Other provisions	2,663,371	(478,905)	-	1,610	2,186,076
	23,151,575	(4,372,506)	1,483,773	6,448	20,269,290
Taxable Temporary Differences on					
- Surplus on revaluation of fixed assets	(885,452)	522,802	-	25	(362,625)
- Excess of accounting book value of leased assets over lease liabilities	(80)	5,158	-	-	5,078
- Surplus on revaluation of investments	(17,094,125)	-	4,589,196	-	(12,504,929)
- Surplus on revaluation of non-banking assets	(36,273)	-	(53,708)	-	(89,981)
	(18,015,930)	527,960	4,535,488	25	(12,952,457)
	5,135,645	(3,844,547)	6,019,261	6,473	7,316,833



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	Note	2018 Rupees in '000	2017
15. OTHER ASSETS			
Income / return / mark-up accrued in local currency - net of provision		31,149,949	22,549,245
Income / return / mark-up accrued in foreign currency		2,478,075	1,873,649
Advances, deposits, advance rent and other prepayments	15.1	7,039,988	3,980,630
Advance taxation (payments less provisions)		11,743,706	12,246,193
Income tax refunds receivable		45,531,634	26,214,948
Compensation for delayed tax refunds		8,082,559	5,626,385
Non-banking assets acquired in satisfaction of claims	15.4	3,796,527	2,779,193
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		228,483	228,484
Branch adjustment account		-	2,208,794
Unrealized gain on forward foreign exchange contracts		6,929,960	1,276,403
Commission receivable on Government treasury transactions		4,627,921	4,897,834
Stationery and stamps on hand		381,722	295,520
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	15.2	323,172	323,172
Receivable from Government under VHS scheme	15.3	418,834	418,834
Receivable against sale of shares		311,383	7,143
Acceptances		45,884,978	135,435,471
Others		7,984,536	3,514,255
		<u>177,108,826</u>	<u>224,071,552</u>
Less: Provision held against other assets	15.5	8,884,661	8,772,698
Other assets (net of provision)		168,224,165	215,298,854
(Deficit) / surplus on revaluation of non-banking assets acquired in satisfaction of claims		(201,867)	1,052,107
Other assets - total		<u>168,022,298</u>	<u>216,350,961</u>

15.1 This includes Rs. 4,644 million (2017: Rs. 1,650 million) advance against Pre-IPO placement of Term Finance Certificates.

15.2 This represents amount receivable from GoP on account of encashment of various instruments handled by the Bank for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

15.3 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	2018 Rupees in '000	2017
15.4 Market value of Non-banking assets acquired in satisfaction of claims	<u>3,594,660</u>	<u>3,831,300</u>

An independent valuation of the Bank's non-banking assets were performed by an independent professional valuer to determine the fair value of the assets as at 31 December 2018. The valuation was carried out by RBS Associates (Pvt) Limited, registered at SBP panel of valuers. The valuation conforms to International Valuation Standards.

	2018 Rupees in '000	2017
15.4.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	3,831,300	2,769,018
Revaluation	(201,867)	1,143,793
Depreciation	(34,773)	(30,251)
Disposals	-	(51,260)
Closing balance	<u>3,594,660</u>	<u>3,831,300</u>



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
15.4.2 Gain / loss on disposal of non-banking assets acquired in satisfaction of claims		
Disposal proceeds	-	51,259
less		
- Cost	-	51,259
- Impairment / Depreciation	-	-
	-	51,259
Gain / loss	-	-
15.5 Provision held against other assets		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	2,405,688	1,989,978
Compensation claimed by SBP due to delay in settlement of Government transactions	-	2,281,289
Provision against FE-25 loans	1,734,591	-
Ex-MBL / NDFC - other assets	534,173	534,173
Assets acquired from CIRC	228,484	228,484
Others	1,957,221	1,714,271
	8,884,661	8,772,698
15.5.1 Movement in provision held against other assets		
Opening balance	8,772,698	6,441,073
Charge for the year	2,289,554	1,483,219
Transfer in	-	850,000
Adjustment of compensation claimed by SBP to SBP balances	(2,174,278)	-
Amount written off	(3,314)	(1,594)
Closing balance	8,884,661	8,772,698
16. BILLS PAYABLE		
In Pakistan	9,838,706	12,994,409
Outside Pakistan	105,472	200,645
	9,944,178	13,195,054
17. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	1,553,200	4,355,000
Under Export Refinance Scheme (New Scheme)	15,711,423	10,755,737
Refinance Facility for Modernization of SMEs	-	4,500
Financing Facility for storage of Agriculture Produce (FFSAP)	222,727	325,649
Under Long-Term Financing Facility (LTFF)	5,418,613	3,152,418
	22,905,963	18,593,304
Repurchase agreement borrowings	278,631,608	320,039,019
Bai Muajjal	45,954,085	-
Total secured	347,491,656	338,632,323
Unsecured		
Call borrowings	36,400,855	14,500,608
Overdrawn nostro accounts	3,807,347	6,901,943
Bai Muajjal	5,039,538	-
Others - SBP Liabilities on Bangladesh borrowings	-	70,800
Total unsecured	45,247,740	21,473,351
	392,739,396	360,105,674



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
17.1 Particulars of borrowings with respect to currencies		
In local currency	356,338,554	356,354,012
In foreign currencies	36,400,842	3,751,662
	<u>392,739,396</u>	<u>360,105,674</u>

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

- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3% (2017: 3.0 % to 6.0 %).
- Repurchase agreement borrowings carry mark-up ranging from 8.4% to 10.16% per annum (2017: 5.7% to 5.85% per annum) having maturity on January 14, 2019.
- Call borrowings carry interest ranging from 0% to 4.22% per annum (2017: 5.75% to 6.0% per annum).

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

17.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 283,850 million (2017: Rs. 319,039 million).

18. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits - remunerative	323,623,737	-	323,623,737	275,443,178	-	275,443,178
Current deposits - non-remunerative	342,557,322	122,864,545	465,421,867	287,108,213	74,468,011	361,576,224
Savings deposits	498,375,321	37,724,865	536,100,186	437,531,317	39,264,441	476,795,758
Term deposits	273,475,804	66,124,944	339,600,748	297,623,470	38,602,543	336,226,013
Others	9,377,504	3,409	9,380,913	-	-	-
	<u>1,447,409,688</u>	<u>226,717,763</u>	<u>1,674,127,451</u>	<u>1,297,706,178</u>	<u>152,334,995</u>	<u>1,450,041,173</u>
Financial Institutions						
Current deposits	285,775,752	27,312,676	313,088,428	205,540,099	11,288,972	216,829,071
Savings deposits	812,330	778	813,108	1,428,498	772	1,429,270
Term deposits	7,335,635	1,814,815	9,150,450	23,990,211	10,122,841	34,113,052
Others	4,523,363	9,682,401	14,205,764	4,732,543	19,956,910	24,689,453
	<u>298,447,080</u>	<u>38,810,670</u>	<u>337,257,750</u>	<u>235,691,351</u>	<u>41,369,495</u>	<u>277,060,846</u>
	<u>1,745,856,768</u>	<u>265,528,433</u>	<u>2,011,385,201</u>	<u>1,533,397,529</u>	<u>193,704,490</u>	<u>1,727,102,019</u>

	2018	2017
	Rupees in '000	
18.1 Composition of deposits		
Individuals	664,981,329	595,357,433
Government (Federal and Provincial)	586,365,968	457,955,358
Public Sector Entities	138,286,912	195,199,579
Banking companies	320,755,853	259,884,462
Non-Banking Financial Institutions	16,501,898	17,176,384
Private sector	284,493,241	201,528,803
	<u>2,011,385,201</u>	<u>1,727,102,019</u>



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

18.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 104,127 million (2017: Rs. 93,358 million)

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 774,901 million (2017: Rs. 584,795) million including islamic branches.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018			2017		
	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	-	-	-	14,898	389	14,509
Later than one year and upto five years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-
	-	-	-	14,898	389	14,509

During the year all finance lease liabilities has been settled. Last year, the bank has entered into lease agreements with First National Bank Modaraba (a related party) for lease of vehicles. Lease rentals were payable in quarterly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from Nil (2017: KIBOR + 2.95% to KIBOR + 3.3% per annum). At the end of lease term, the Bank has option to acquire the assets, subject to adjustment of security deposits.

20. OTHER LIABILITIES	Note	2018	2017
		Rupees in '000	
Mark-up / Return / Interest payable in local currency		31,324,102	20,692,112
Mark-up / Return / Interest payable in foreign currencies		555,608	321,862
Unearned commission and income on bills discounted		635,699	122,851
Accrued expenses		11,629,326	5,885,493
Advance payments		339,788	246,577
Unclaimed dividends		188,868	163,549
Unrealized loss on put option		306,339	306,339
Branch adjustment account		5,864,695	-
Employee benefits:			
Pension fund		13,069,665	12,985,820
Post retirement medical benefits		15,371,225	14,342,369
Benevolent fund		1,604,689	1,977,230
Gratuity scheme		1,730,265	1,467,310
Compensated absences		7,541,419	6,600,690
Staff welfare fund		371,257	371,257
Liabilities relating to Barter trade agreements		18,034,813	14,826,008
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies	20.1	3,734,889	3,634,889
Payable to brokers		180,594	824
PIBs shortselling		366,896	-
Acceptances		45,884,978	135,435,471
Others		11,281,227	9,513,486
		170,643,836	229,521,631



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
20.1 Provision against contingencies		
Opening balance	3,634,889	3,546,841
Charge during the year	100,000	380,343
Reclassification	-	(292,295)
Closing balance	<u>3,734,889</u>	<u>3,634,889</u>

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

21. SHARE CAPITAL

21.1 Authorized capital

2018	2017		2018	2017
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>

21.2 Issued, subscribed and paid up

2018	2017		2018	2017
Number of shares			Rupees in '000	
		Ordinary shares		
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
<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 the SBP held 75.60% (2017: 75.60%) shares of the Bank.

21.3 Shares of the Bank held by subsidiary and associates

	2018	2017
	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>	<u>70,000</u>
	<u>70,000</u>	<u>70,000</u>

22. RESERVES

22.1 Exchange translation reserve

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

22.2 Statutory reserve

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



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

22.3 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.

22.4 General loan loss reserve

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

	Note	2018 Rupees in '000	2017
23. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of			
- Available for sale securities	10.1	22,943,322	38,475,662
- Fixed assets	23.1	44,292,018	22,660,691
- Non-banking assets		2,062,480	2,264,347
		<u>69,297,820</u>	<u>63,400,700</u>
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(6,667,702)	(12,504,929)
- Fixed assets	23.1	(2,588,785)	(1,116,388)
- Non-banking assets		(55,208)	(89,981)
		<u>(9,311,695)</u>	<u>(13,711,298)</u>
		<u>59,986,125</u>	<u>49,689,402</u>
23.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		22,660,691	22,827,215
Recognised during the year		21,789,525	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(102,829)	(108,241)
Related deferred tax liability on incremental depreciation charged during the year		(55,369)	(58,283)
Surplus on revaluation of fixed assets as at December 31		<u>44,292,018</u>	<u>22,660,691</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		(1,116,388)	(1,174,671)
- revaluation recognised during the year		(1,527,766)	-
- incremental depreciation charged during the year		55,369	58,283
		<u>(2,588,785)</u>	<u>(1,116,388)</u>
		<u>41,703,233</u>	<u>21,544,303</u>
23.2 Surplus on revaluation of non-banking assets			
Surplus on revaluation as at January 1		2,264,347	1,163,129
Recognised during the year		(201,867)	1,143,791
Realised on disposal during the year		-	(42,573)
Surplus on revaluation as at December 31		<u>2,062,480</u>	<u>2,264,347</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		(89,981)	(36,273)
- revaluation recognised during the year		34,773	-
- surplus realised on disposal during the year		-	(53,708)
		<u>(55,208)</u>	<u>(89,981)</u>
		<u>2,007,272</u>	<u>2,174,366</u>



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	Note	2018	2017
		Rupees in '000	
24. CONTINGENCIES AND COMMITMENTS			
Guarantees	24.1	94,340,275	114,956,468
Commitments	24.2	1,286,438,703	835,971,920
Other contingent liabilities	24.3	29,259,673	16,747,536
		<u>1,410,038,651</u>	<u>967,675,924</u>
24.1 Guarantees			
Financial guarantees		55,505,600	49,513,095
Performance guarantees		38,834,676	65,443,373
		<u>94,340,275</u>	<u>114,956,468</u>
24.2 Commitments			
Documentary credits and short-term trade-related transactions			
Letters of credit		716,304,478	418,493,125
Commitments in respect of:			
Forward foreign exchange contracts	24.2.1	512,873,075	345,224,842
Forward government securities transactions	24.2.2	56,816,129	71,404,111
Commitments for acquisition of:			
Fixed assets		431,521	767,000
Intangible assets		-	59,727
Other commitments	24.2.3	13,500	23,115
		<u>1,286,438,703</u>	<u>835,971,920</u>
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		312,710,160	202,309,263
Sale		200,162,915	142,915,579
		<u>512,873,075</u>	<u>345,224,842</u>

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.

24.2.2	Commitments in respect of forward government securities transactions	2018	2017
		Rupees in '000	
	Purchase	50,950,025	63,968,420
	Sale	5,866,104	7,435,691
		<u>56,816,129</u>	<u>71,404,111</u>

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



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
24.2.3 Professional services to be received	13,500	23,115
24.3 Other contingent liabilities		
24.3.1 Claim against the Bank not acknowledged as debt	29,259,673	16,747,536

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2017: Rs. 1,597 million).

24.3.2 Taxation

The tax returns of the Bank have been filed up to tax year 2018 and amended by the tax authorities up to Tax Year 2017. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2018. Notice for amendment proceedings for the tax year 2018 under section 122(9) has been received to Bank and proceedings are underway with the department.

- a) The tax authorities closed audit proceedings initiated under section 177(1) of the Income Tax Ordinance, 2001 for the tax year 2016 accepting the Bank's contention.
- b) The other matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on December 31, 2018 amounts to Rs.10.7 billion (December 31, 2017: Rs. 14.2 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.
- c) Through Finance Act, 2015, for tax year 2015 and onwards, income from dividend and income from Capital gain taxed at the rate of thirty five percent. As the chargeability of tax imposed was retrospective from the tax year 2015, therefore, on legal grounds, the bank filed Constitution Petition before the Honourable High Court of Sindh which is pending. However, last year the Honourable High Court of Sindh has given favourable judgement on the same issue in other case against which the department has filed appeal before the Honourable Supreme Court of Pakistan. The bank has made the provision on prudent basis.
- d) The Sindh Workers Welfare Fund Act, 2015 (Sindh WWF Act) has been promulgated in the month of May 2015. Earlier as per the Workers Welfare Fund Ordinance, 1971, the Bank in which Government holds more than 51% shareholding remained exempt from levy of WWF. The Sindh WWF Act, 2015 is retrospective in its effect and it attempts to impose levy from the date even prior to its promulgation. As the chargeability of tax imposed is retrospective and the law is defective considering constitutional issues – Fee or Tax including geographical / territorial jurisdiction for bank operating in all the provinces of Pakistan as well as the Bank employees do not fall in the definition of workers, therefore, on legal grounds against the said levy bank has decided to file suit before Honourable High Court of Sindh. Accordingly, no provision has been made for Sindh WWF in these unconsolidated financial statements based on the advice of the Tax consultant.
- e) In case of Sales Tax / Federal Excise Duty, appeals have been filed before various appellate forums including reference and constitutional petitions before the High Court of Sindh; wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.
- f) The Bank has filed an Appeal before the Commissioner (Appeals) Sindh Revenue Board on the order passed by Assistant Commissioner SRB for levy of Sindh Sales Tax on the services provided to the Federal Government through the State Bank of Pakistan for the tax period July 2011 till March 2015 amounting to Rs.358.28 million based on data provided by SBP. No provision has been made for this amount in these unconsolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.
- g) Against ATIR orders for the Tax Years 2011 to 2014, the Bank has obtained appeal effect orders which has resulted in net increase in determined refunds by Rs. 18.358 billion and prior year tax reversal of Rs. 1.914 billion. Further, as a result of appeal effect order passed under section 124 / 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2015, the net refund have increased by Rs.1.899 billion and tax reversal of Rs. 0.198 billion. Therefore, the aggregate refunds increased by Rs.20.257 billion and prior year tax reversal of Rs. 2.113 billion.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

24.3.3 Barter Trade Agreements

In order to reduce pressure on the balance of payment, the GoP had entered into barter trade agreements with various countries and designated the Bank to handle the related transactions on behalf of GoP. Accordingly, the Bank executed banking arrangements with the designated banks of these countries and opened accounts in their names. In one of the barter agreement, repayments made to the Bank by the GoP could not be utilized due to non-finalization of Letter of Exchange for its utilization after 1994 at Government level, which was required under the relevant barter agreement. The concerned bank is now demanding payment of interest on the balances in its accounts with the Bank. Since these balances are maintained in current accounts and there is also no clause for payment of any interest in the relevant banking arrangement, therefore the Bank has strongly refused such claims.

24.3.4 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 24.3.4.1) and Restoration of Commuted Pension (note 24.3.4.4), the financial impact of other matters is impracticable to determine with sufficient reliability.

24.3.4.1 Pensionary benefits to retired employees

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

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was dissolved 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 had approved the Revised Pay Structure for the officers / executives of the bank with effect from January 01, 1999 vide Circular No.37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

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

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

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

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

The Bank has filed Review petitions against the aforesaid judgment of the Honourable Supreme Court of Pakistan and also had made an application for constitution of larger bench of the Supreme Court to hear the Review petition, which has been accepted. 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.



Notes to the Unconsolidated Financial Statements

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In case this matter is decided unfavorably, the bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 61.3 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for 2019 onward will also increase by Rs.7.9 billion due to this decision. 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.

24.3.4.2 Encashment of unavailed leave

Some of the employees of the Bank filed Writ Petitions before Lahore High Court after their retirement, in September 2012, praying the Court for issuance of directions to the bank for encashing their entire un-availed leave balance frozen in terms of Bank's Circular 37/1999 and 57/ 1999.

The Bank revised rules of leave encashment with effect from January 1, 1999. As per revised rules, leave balances accumulated under old rules were marked as "Frozen Leave" to differentiate it with subsequent leaves to be accumulated. There was no bar on employees to avail these leaves, which would lapse on retirement.

The Lahore High Court dismissed the petitions of the subject ex-employees in April 2014 while observing that claim of the petitioners was hit by laches as the Petitions were filed in the year 2012 and that all the petitioners filed the petitions after having availed all retirement benefits when all outstanding dues were paid at the time of retirement at which point no claim for any amount was made. The Petitioners filed Intra Court appeals against the aforesaid judgment which were dismissed by the Lahore High Court, Lahore.

Another Constitution Petition No. D-3445/ 2012 titled as Iffat Aara Hassan & others vs. NBP etc. filed before the High Court, of Sindh, Karachi, on the matter was dismissed by a Division Bench vide order dated January 11, 2017, while concluding that the issue which was subject matter of the Petition was pat and closed transaction, hence, the same could not be agitated through this Constitution Petition.

The Bank has not received so far any notices in respect of appeal(s) (if any) filed by the petitioners.

Recently in terms of order dated 22.1.2019, the Lahore High Court, Lahore, has dismissed five more Writ Petitions in the light of a previous judgment in the matter of Umar Hayat Khawaja vs. NBP (2014 PLC (CS) 871) wherein it was held that the PL Balance can be claimed up to maximum of 180 days at the time of retirement.

A Writ Petition No. 601-A/2013 titled as Manzoor Elahi Vs NBP and WP No.4953/2017 filed by retired employees for granting LPR encashment of 360 days instead of 180 days are pending adjudication before the Peshawar and Abbottabad Benches of the Peshawar High Court.

24.3.4.3 Post retirement medical facilities

On 14 March 1995, on the instructions of Pakistan Banking Council, the Bank issued Circular No. 19/95, in terms of which the Bank was to provide relief to the retired employees by way of increase in medical ceiling on the increase in salary. It was decided that the Bank would re-determine the monetary ceiling of retired officers/executives after every revision of pay scale on the basis of notional re-fixation in revised scale on point to point basis. In 2003 two retired employees moved Federal Service Tribunal for increase of post-retirement medical ceiling in the light of the said Circular. The Bank contested the case but a representative of Establishment Division stated before the FST that Bank had adopted the said Circular and the two appeals were accepted by the FST. The Bank's appeals before the Supreme Court failed and even review petitions were dismissed.

Later on, in September, 2011 Ch. Muhammad Qasim and 5 others who had opted for separation from service under GHS/ VHS filed writ petition for availing similar relief of post-retirement medical ceiling while citing the respective judgments of the FST and Supreme Court. The Bank contested the writ petition on the Grounds that the petitioners had opted for separation from the service of the Bank under GHS AND VHS after receiving payment of compensation as contemplated under the said Schemes. With regard to medical ceiling for such persons who had opted voluntarily, it was contended by the bank before the Court that option was given to such employees either to accept the present medical ceiling for 10 years in lump sum or to continue with the present payment as if they had retired on attaining the age of superannuation. The petitioners had opted for continuing with the present ceiling as prevalent at the time of the separation scheme therefore, they were not entitled for any benefit under the said circular. It was also urged by the Bank that in view of judgment of Apex Court in Naseem Arif Abbasi case, the petitioners, after having signed a disclaimer at the time of receipt of benefits under GHS, were not entitled to any further payment. The high court while disregarding these arguments allowed the Writ Petition. The Bank has filed an Intra Court Appeal (ICA) against the order of the single bench which is still pending adjudication and is fixed for hearing on February 27, 2019.



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

24.3.4.4 Restoration of Commuted Pension

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

In one of such writ petitions, the Honourable Lahore High Court, without issuing notices to the bank disposed of the same vide order dated January 13, 2015, while observing that the Petitioner was also entitled to be treated at par with the pensioners whose cases had already been decided in a case titled as "Additional Accountant General Pakistan Revenue, Lahore vs. A.A.Zuberi" which had attained finality up to the level of Supreme Court of Pakistan.

The judgment referred in the case was decided by a Division Bench of Lahore High Court in which restoration of pension after period of commutation was directed to be allowed at the rate prevailing at the time of restoration and not at the rate of pension prevailing at the time of commutation. Against the said order, the bank has filed an Intra Court Appeal as the matter was decided without summoning the bank. Our main argument is that A.A. Zubari's judgment pertains to Civil servants and the Bank employees are not civil servants. The case was remanded to the single bench for a fresh decision after hearing the Bank. The single bench again decided the matter against the Bank vide order dated April 14, 2017 which has been assailed by the Bank through an Intra Court Appeal. The matter is still pending adjudication.

24.3.4.5 Regularizing the temporary hires / workers deployed by Service provider Companies under outsourcing arrangements

The Petitioners in these Petitions/ Appeals, filed for regularization of services, were either allegedly engaged by the Bank purely on temporary basis on Borrowers' accounts as Godown keepers or Godown chowkidars for watching the pledged stocks of the Borrowers or they were deployed at various Bank premises by the Service Provider Companies, under outsourcing arrangements, as per the SBP Policy, for non-core jobs. Litigation in respect of temporary Godown keepers/Godown chowkidars was started in the year 2001-2002. Subsequently in terms of President office circular No. 10/2003 dated 1.8.2003 a formula was evolved that if such temporary employees had completed three years' service as on the date of the circular with breaks of not more than 15 days, they would be eligible for the absorption on regular basis (with certain other conditions). Subsequently the FST while accepting the appeals of the temporary hires adopted almost the same criterion as given in the said circular. The honourable Supreme court also upheld the decision of the FST (2005 SCMR 100). The Bank had obtained permission from Government to absorb 1500 godown staff in the Bank. All who fulfilled the criteria were absorbed. Some Petitions are still pending adjudication in terms of which the Petitioners have sought regularization of service in terms of the Ikram Bari judgment.

Under the SBP Guidelines, in terms of a policy decision, the bank outsourced certain noncore jobs to various service provider companies after entering into contract with them. The sources deployed by the service provider companies are actually their employees and the said companies have the sole administrative control over those resources. However some of those resources filed writ petitions before various benches of High Courts and NIRC while praying for issuance of directions to the Bank for absorbing them in the regular service of the Bank while alleging that actually they were employees of the Bank. Petitions filed before the Peshawar High Court, Abbottabad and Mardan Bench were allowed. Appeals filed by the Bank before the honourable Supreme Court of Pakistan against the order of the Peshawar High Court, Abbottabad Bench were disposed of on March 03, 2016 and the Bank was directed to decide the cases of the Respondents after engaging them through personal hearings. Subsequently all the Respondents who had been hired through a service provider company (80 in numbers) were heard in person and their cases for regularization in Bank's service were declined through speaking orders duly communicated to them. The Petitioners filed contempt petitions before the honourable Supreme court and the matter was decided in their favor. Our respective Review Petition was also dismissed and services of all those Petitioners were regularized.

Appeal filed by the Bank against the order of Peshawar High Court, Mardan Bench in the matter of Mr. Talimand and 23 others was dismissed by the Honourable Supreme Court of Pakistan vide order dated 25.05.2016 and Bank was directed to regularize all the Respondents in Bank's service. Our Review Petition was also dismissed and Bank had to regularize the services of all those Petitioners.

Moreover, in the mid of August 2016, some service provider companies terminated the services of some resources deployed at various Bank Branches/offices. Almost all of those employees (around 150 in number) have filed petitions before various benches of NIRC for their absorption in Bank's service.

Vide order dated 26.10.15, the Honourable Balochistan High Court, Quetta, dismissed CP No.201/12 filed by one Mr. Abdul Ghafoor and 10 others for regularization of their services. The said order was assailed by the Petitioners before the Apex court vide CP No.3724/2015 (CA No.1496/17) which was allowed along with CMA No.7903/16, 3474/17 and 4154/17 filed by 193 other such employees deployed at various premises of NBP in different Regions. Bank filed Review Petitions against the said judgment which were also dismissed vide order dated May 30, 2018.



Notes to the Unconsolidated Financial Statements

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The Peshawar High Court has allowed 12 more Writ Petitions involving 59 Petitioners, with directions to regularize their services. The Bank has assailed the subject orders before the Apex Court through Mr. Naeem Bukhari ASC and Khawaja Muhammad Farooq Mehta Sr. ASC which are yet to be fixed for hearing.

In a recent development, the Honourable Supreme Court of Pakistan, in terms of judgment dated 20.6.18, passed in our Civil Appeal titled as NBP Vs Shoaib Iftikhar, while accepting our appeal and directing the respondent to approach some appropriate forum, have observed that the disputed questions of fact could not be resolved in Writ Jurisdiction. Mr. Sohaib Iftikhar was engaged on 22.11.2004 as Godown Keeper on the payroll of M/s Harvest Co. and was disengaged on 10.05.2011. He filed a WP No. 27506/ 2011 before the LHC-Lahore while praying the Court for setting aside his termination order and regularize his services in view of Ikram Bari's Judgment. The said W.P. was allowed by Honourable Court on 18.12.2013. The Bank had filed an ICA against the said order which was also dismissed vide order dated 23.01.2014, subsequently, it was assailed by the Bank by filing a Civil Appeal which was allowed on 20.06.2018 with the following observations; "...both learned Benches of High Court have failed to address squarely the factual dispute raised by the Petitioner Bank that the Respondent was working for Harvester (Pvt.) Ltd. The letter of appointment produced by the Respondent is just a photocopy and unsigned document which is denied by the Petitioner Bank. The Respondent thereafter placed reliance upon Ikram Bari's Judgment however, there is a dispute that the Respondent is not an employee of the Petitioner Bank. The Bank has categorically and unequivocally denied any such relationship at all stages of the litigation. In the circumstances, this disputed question of fact going to the root of the matter was not open to determination by either of the learned High Court. In any event, Writ was not a competent remedy when it involved a disputed question of fact which needed to be resolved through recording evidence and the Writ Petition was not competent in the facts and circumstances of the case. Therefore, the finding of reinstatement and regularization in service given in favour of the Respondent by the High Court was unfounded. The Respondent may however approach a Court of plenary jurisdiction for pursuing his grievance against the Petitioner Bank, if so inclined.

The aforesaid order of the Apex court is contrary to the earlier orders passed by the High Courts and the Supreme Court in the similar matters.

Some of our CPLAs filed before the Apex court are still pending adjudication and our counsels would argue the cases on merits however, in view of the earlier orders passed by the Apex court on similar issues, we don't have a very strong case however, our observation is without prejudice to the merits/legal grounds available with the Bank for defending such cases.

24.3.4.6 Golden Handshake (GHS)

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

24.3.4.7 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 21.09.2016 passed by the Supreme court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated 13.03.2013 of the Division Bench of Sindh High Court, Sukkur in CP No. D-417/2010.

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

The Honourable Division Bench at Sukkur, vide order dated 13.3.2013, accepted the subject petition on the touch stone of Article 25 of the Constitution of Pakistan 1973 and directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

The aforementioned order of the Sindh High Court was assailed by the Bank before the Apex Court through CP No. 805/2013. Bank was granted Leave with directions to file separate job descriptions of Non-MTOs and MTOs however our Civil Appeal was dismissed vide order 21.09.2016 in terms of which the Order of the Sindh High Court was upheld with the following operative part:

Quote: "... The Respondents Non-MTO Officers would be entitled for same salary, perks and emoluments as are applicable and payable to the MTO Officers working in contemporary grades from the date of Judgment of the Sindh High Court effective from 13.03.2013, arrears for the difference in such salary/ emoluments be paid by the NBP to the Respondents in six equal instalments along with monthly salary from ensuing month". Unquote

Review Petition filed by the Bank was also dismissed vide order dated 14.04.2017.



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

Subsequent to the aforesaid order, the regular employees (Non-MTOs) of the Bank filed a large number of Writ Petitions before various High Courts, seeking benefit of the said judgment. One of those Writ Petitions filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated 30.05.2018, in the light of the aforesaid judgment of the Supreme Court. The Bank has assailed the said order before the Apex court through Mr. Ahmer Bilal Soofi ASC however, no date has yet been fixed for hearing. A number of Bank Employees, after their representations were declined by the Bank, filed Writ Petitions before Various Benches of the Sindh High Court, Lahore High Court and Islamabad High Court. The Petitions filed before the Sindh High Court were disposed of with directions to the Bank to constitute a Committee for examining the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgment given by the honourable Supreme Court of Pakistan in Civil appeal number 1644/2013 dated 21.9.16. The Bank has already formed a Committee and cases of the Petitioners/employees, claiming to be similarly placed with the MTOs, are to be considered by the Bank on the basis of intelligible differentia.

In terms of a consolidated judgment dated 18.12.2018, the honourable Lahore High Court, Lahore, allowed 4 Writ Petitions filed by the employees of the Bank, in the year 2017 & 2018, seeking benefit of the judgment dated 21.9.16 of the Apex court. The Bank has filed ICAs and operation of the impugned order was suspended vide order dated 16.01.2019.

24.4 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 Honourable High Court of Sindh against the said judgments. The Honourable High Court has granted relief to the Bank by way of interim orders.

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

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

24.5 Compliance and risk matters relating to anti-money laundering

The Bank and its New York Branch have entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and gets them independently validated. The Bank seeks to comply with all possible laws and regulations and at this stage there is no indication of any financial impact or penal consequences.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018	2017
		Rupees in '000	
25. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		69,358,862	54,885,421
Investments		76,287,863	66,453,097
On securities purchased under resale agreements		3,593,293	1,067,700
Balances with other banks		728,694	666,382
		<u>149,968,712</u>	<u>123,072,600</u>
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		61,704,147	54,875,319
Borrowings		2,942,429	953,316
Cost of foreign currency swaps against foreign currency deposits		6,075,207	3,072,162
Securities sold under repurchase agreements		18,580,699	9,918,924
		<u>89,302,482</u>	<u>68,819,721</u>
27. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,251,884	1,334,176
Consumer finance related fees		802,721	665,115
Card related fees		437,670	330,463
Credit related fees		284,106	249,687
Investment banking fees		644,931	1,097,725
Commission on trade		4,121,984	2,798,701
Commission on guarantees		428,051	507,087
Commission on cash management		16,431	18,473
Commission on remittances including home remittances		822,212	447,927
Commission on bancassurance		343,621	127,554
Commission on government transactions		9,223,016	8,967,151
Others		149,729	230,415
		<u>18,526,356</u>	<u>16,774,473</u>
28. GAIN / (LOSS) ON SECURITIES			
Realised	28.1	3,933,377	6,493,427
Unrealised - held for trading	10.1	(1,033)	(13,829)
		<u>3,932,344</u>	<u>6,479,598</u>
28.1 Realised gain on			
Federal Government Securities		513,577	2,877,699
Shares		3,332,560	3,599,967
Ijarah Sukuks		87,240	15,761
		<u>3,933,377</u>	<u>6,493,427</u>
29. OTHER INCOME			
Rent on property		64,664	101,631
Gain on sale of fixed assets - net		132,829	120,583
Compensation for delayed tax refunds	29.1	2,456,174	1,499,875
Others		33,570	17,435
		<u>2,687,237</u>	<u>1,739,524</u>
29.1			
		This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.	



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	Note	2018	2017
		Rupees in '000	
30. OPERATING EXPENSES			
Total compensation expenses		37,270,272	31,043,688
Property expenses			
Rent and taxes		2,535,242	2,446,584
Insurance	30.1	865,133	316,786
Utilities cost		1,022,510	806,573
Security (including guards)		2,317,315	2,270,034
Repair and maintenance (including janitorial charges)		1,525,798	1,505,041
Depreciation		204,273	235,942
Depreciation on non banking assets		34,770	30,251
Depreciation on Ijarah assets		258,703	85,725
		8,763,744	7,696,936
Information technology expenses			
Software maintenance		616,394	670,440
Hardware maintenance		19,371	24,681
Depreciation		421,146	352,876
Amortisation		323,312	968,668
Others		69,722	44,973
		1,449,945	2,061,638
Other operating expenses			
Directors' fees and reimbursement of other expenses		29,918	24,413
Legal & professional charges		494,384	789,497
Outsourced services costs	30.2	783,669	752,512
Travelling and conveyance		972,984	776,037
NIFT clearing charges		152,937	126,147
Depreciation		1,424,984	1,405,596
Training and development		134,811	24,001
Postage and courier charges		323,479	260,385
Communication		802,851	791,250
Stationery and printing		942,363	842,266
Marketing, advertisement & publicity		706,122	435,064
Contributions for other Corporate and Social Responsibility	30.3	77,728	58,288
Auditors' remuneration	30.4	252,477	193,462
Fixed assets / Non-banking asset deficit		202,847	60,244
Financial charges on leased assets		15,034	8,249
Entertainment		189,687	142,998
Clearing, verification, licence fee charges		284,227	285,090
Brokerage		87,428	93,770
Others		325,468	353,316
		8,203,398	7,422,585
		55,687,359	48,224,847



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

- 30.1** This includes Rs. 2,759 million (2017: Rs.1,800 million) insurance premium against directors' liability insurance.
- 30.2** Total cost for the year included in other operating expenses relating to outsourced activities is Rs 784 million (2017: Rs 753 million). Out of this cost, Rs 773 million (2017: Rs 741 million) pertains to the payment to companies incorporated in Pakistan and Rs 11 million (2017: Rs 12 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017.

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.

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

	2018	2017
	Rupees in '000	
Donation to supreme court for Dam Construction	19,493	-
Agribusiness School at Namal Knowledge City Construction Board room/Faculty Lounge.	10,000	-
Subscribing Thomson Eikon Data Stream to Abdul Wali Khan University Mardan.	2,665	-
Sponsor-Construction of Class Room at Akhuwat University at Lahore.	2,500	-
Two Dialysis Machine to Jijal Maau Hospital Hyderabad.	2,500	-
NBP Scholarship Program for IBA Students Sukkur	2,100	-
National Epilepsy Center at Khi.	1,800	-
NBP Scholarship Program for 05 Students of Namal College-Mianwali	1,500	-
NBP Scholarship Program for 05 Students of Namal College-Mianwali.	1,500	-
Corporate Partnership Between NBP & Teach for Pakistan Islamabad	1,500	-
NBP Contribution in shape of supply 10 new motorcycle rickshaws in Mohmand Agency-2018.	850	-
10 Motorcycle Rickshaws to Rehabilitate Special Person.	800	-
Scholarship Program for The Students of Sindh Madressatul Islam University Karachi.	720	-
NBP Scholarship Program, 3rd Instalment. Sindh Madressatul Islam University Karachi.	720	-
Financial Grant for Speech Processor Hearing Device to Mr. Basheer Ahmed OG-I.	565	-
01 Ambulance & 50 Non food item kits to Pakistan Red Crescent Society Islamabad.	-	8,105
Scholarship for 10 students of Sargodhian Spirit Trust Tandoallyar.	-	3,750
Habib University Foundation to Faculty Development & Research Fund Karachi.	-	3,340
Aman Ambulance to Aman Foundation	-	2,000
Re-Adaption of Female Ward in Marie Adelaide Leprosy Centre Karachi.	990	1,980
NBP Students Scholarship, through Professional Education Foundation, Karachi	1,200	1,200
NBP Scholarship Program for 19 Students of Wise Education Society-Lahore	1,200	1,200
NBP Scholarship for 17 students-Centre for Devel Social Services Karachi.	-	1,010
Distribution of Ramzan Food Package Packets for Lyari Town, Karachi.	810	1,000
Chemistry Analyzer Thalassemia Patients at Muhammadi Blood Bank & Thalassemia Karachi.	-	821
10 Motorcycle Rickshaws, Poor Deserving People of Tharparkar by Pak Hindu Council.	-	800
Uniform & Shoes for Students Studying at AAB, Karachi.	-	777
Construction of Classroom for Special Children by Marghzar Welfare Society	-	660
Donation-CTG Machine to Patient Welfare Society at Lady Aitchison Hospital Lhr.	-	540
Total	53,413	27,183

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



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

Deloitte Yousuf Adil	Grant Thornton Anjum Rahman	Total 2018	Total 2017
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Rupees in '000

30.4 Auditors' remuneration

Audit fee	6,226	6,226	12,452	12,452
Review of interim financial statements	2,178	2,178	4,356	4,356
Fee for audit of domestic branches	5,060	5,060	10,120	10,120
Fee for other statutory certifications	1,500	1,500	3,000	3,000
Special certifications and sundry advisory services	4,136	4,336	8,472	6,786
Tax services	-	20,000	20,000	20,000
Sales Tax	1,528	3,144	4,672	4,546
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	25,128	46,944	72,072	70,260
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	180,405	123,202
	25,128	46,944	252,477	193,462

Note

2018

2017

Rupees in '000

31. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		237,480	214,393
Penalties imposed by other regulatory bodies (Central bank of international branches)		6,573	88,297
		244,053	302,690

32. PROVISIONS AND WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	228,797	(1,743,534)
Provisions against loans and advances	11.4	8,782,022	1,068,269
Provision against other assets	15.5.1	2,289,554	1,867,209
		11,300,373	1,191,944

33. TAXATION

Current		11,861,164	8,455,056
Prior years		(20,755,128)	271,678
Deferred		18,562,223	3,844,547
		9,668,259	12,571,281

33.1 Current taxation includes Rs. 519 million (2017: Rs. 82 million) of overseas branches.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
33.2 Relationship between tax expense and accounting profit		
Accounting profit before tax	29,683,381	35,599,268
Income tax at statutory rate @ 35% (2017: 35%)	10,389,183	12,459,744
Super tax at statutory rate @ 4% (2017: Nil%)	1,187,335	-
Inadmissible items	95,181	105,942
Prior year tax effects	(2,112,896)	271,678
Others	109,456	(266,083)
Tax charge for current and prior years	9,668,259	12,571,281

33.3 The Federal Government vide Finance Act 2017 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2018 (Tax Year 2019). Accordingly, provisions of Rs. 1,217 million (2017: Rs. 1,021 million) for Super tax has been made in current year, however, provision of Rs. 1,021 million in respect of financial year 2017 was made in prior year. Further, a reversal of Rs. 2,113 million (2017: Rs. 749 million) has been recorded as described in note 24.3.2 (g) to these unconsolidated financial statements.

	2018	2017
	Rupees	
34. BASIC EARNINGS PER SHARE		
Profit for the year (in 000's)	20,015,122	23,027,987
Weighted average number of ordinary shares (in 000's)	2,127,513	2,127,513
Basic earnings per share	9.41	10.82

35. DILUTED EARNINGS PER SHARE		
Profit for the year (in 000's)	20,015,122	23,027,987
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (in 000's)	2,127,513	2,127,513
Diluted earnings per share	9.41	10.82

	2018	2017
	Rupees in '000	
36. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	247,518,270	160,089,619
Balances with other banks	12,202,020	26,403,906
Call money lendings	8,240,800	1,540,800
Call borrowings	(36,400,855)	(14,500,608)
Overdrawn nostros	(3,807,347)	(6,901,943)
	227,752,888	166,631,774



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

37. STAFF STRENGTH

	2018	2017
	Numbers	
Permanent	11,748	12,016
On Bank contract	3,990	3,600
Bank's own staff strength at the end of the year	15,738	15,616

37.1 In addition to the above, 2,185 (2017: 2,397) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 2,185 employees working domestically (2017: 2,397) and abroad Nil (2017: Nil).

38. DEFINED BENEFIT PLAN

38.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.12 to the unconsolidated financial statements.

38.2 Number of Employees under the scheme

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

	2018	2017
	Numbers	
Pension fund	11,547	11,620
Gratuity fund	3,859	3,566
Benevolent Fund	11,547	11,620

38.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
	Per annum	
Discount rate	13.25%	9.50%
Expected rate of return on plan assets	13.25%	9.50%
Expected rate of salary increase	13.25%	9.50%
Expected rate of increase in pension	8.75%	5.00%
Expected rate of increase in medical benefit	13.25%	9.50%



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

	2018						2017					
	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated Absences	Total	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated Absences	Total
Present value of obligations	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523	57,951,864	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463
Fair value of plan assets	(48,015,260)	-	-	-	-	(48,015,260)	(44,966,044)	-	-	-	-	(44,966,044)
Movement in defined benefit obligations	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263	12,985,820	14,342,369	1,977,230	1,467,310	6,600,690	37,373,419
Obligations at the beginning of the year	57,951,864	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463	54,855,012	13,377,650	1,977,230	1,298,782	6,262,603	77,771,277
Current service cost	1,298,574	401,474	66,305	251,131	1,187,529	3,205,013	1,239,818	447,264	61,464	203,122	630,666	2,582,334
Interest cost	5,360,600	1,321,656	178,311	137,009	-	6,997,576	5,020,105	1,235,665	176,099	121,318	-	6,553,187
Benefits paid by the bank	(3,048,981)	(860,398)	(200,539)	(50,210)	(246,800)	(4,406,928)	(4,023,611)	(741,292)	(247,110)	(43,503)	(292,579)	(5,348,095)
Re-measurement loss / (gain)	(477,132)	166,124	(416,618)	(74,975)	-	(802,601)	860,540	23,082	9,547	(112,409)	-	780,760
Obligations at the end of the year	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523	57,951,864	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463

38.6 Movement in fair value of plan assets

Fair value at the beginning of the year	44,966,044	-	-	-	-	44,966,044	44,999,186	-	-	-	-	44,999,186
Interest income on plan assets	4,176,565	-	-	-	-	4,176,565	4,136,051	-	-	-	-	4,136,051
Contribution by the bank - net	1,044,583	-	-	-	-	1,044,583	1,100,000	-	-	-	-	1,100,000
Benefits paid	(3,048,981)	-	-	-	-	(3,048,981)	(4,023,611)	-	-	-	-	(4,023,611)
Benefits paid on behalf of fund	1,439,981	-	-	-	-	1,439,981	2,213,011	-	-	-	-	2,213,011
Re-measurements: Net return on plan assets over interest income gain / (loss)	(562,932)	-	-	-	-	(562,932)	(3,458,593)	-	-	-	-	(3,458,593)
Fair value at the end of the year	48,015,260	-	-	-	-	48,015,260	44,966,044	-	-	-	-	44,966,044

38.7 Charge for defined benefit plans

38.7.1 Cost recognised in profit and loss

Current service cost	1,298,574	401,474	66,305	251,131	1,187,529	3,205,013	1,239,818	447,264	61,464	203,122	630,666	2,582,334
Net interest on defined benefit asset / liability	1,184,035	1,321,656	178,311	137,009	-	2,821,011	884,054	1,235,665	176,099	121,318	-	2,417,136
	2,482,609	1,723,130	244,616	388,140	1,187,529	6,026,024	2,123,872	1,682,929	237,563	324,440	630,666	4,999,470

38.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation	-	-	-	-	-	-	-	-	-	-	-	-
- Demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-
- Financial assumptions	-	-	-	-	-	-	-	-	-	-	-	-
- Experience adjustment	85,800	166,124	(416,618)	(74,975)	-	(239,669)	4,319,133	23,082	9,547	(112,409)	-	4,239,353
Return on plan assets over interest income	-	-	-	-	-	-	-	-	-	-	-	-
Total re-measurements recognised in OCI	85,800	166,124	(416,618)	(74,975)	-	(239,669)	4,319,133	23,082	9,547	(112,409)	-	4,239,353



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
38.8 Components of plan assets		
Pakistan Investment Bonds	268,527	1,144,751
Term Finance Certificates	104,000	101,436
Mutual Funds / Shares	5,421,318	12,836,495
Shares	6,371,337	-
Term Deposit Receipts	11,182,753	9,892,631
Defence Saving Certificates	6,491,911	6,884,201
Special Saving Certificates	17,716,001	13,583,880
Cash at Bank	459,413	522,650
	<u>48,015,260</u>	<u>44,966,044</u>

38.9 Sensitivity analysis

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

	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total
	Rupees in '000					
1% increase in discount rate	55,002,614	13,329,676	1,512,151	1,529,703	6,952,783	78,326,927
1% decrease in discount rate	68,442,993	17,941,836	1,708,824	1,969,275	8,216,888	98,279,816
1% increase in expected rate of salary increase	64,244,038	16,139,350	1,622,589	1,975,523	8,245,768	92,227,268
1% decrease in expected rate of salary increase	58,251,235	14,685,546	1,587,334	1,521,441	6,918,102	82,963,658
1% increase in expected rate of pension increase	64,977,547	16,197,491	-	-	-	81,175,038
1% decrease in expected rate of pension increase	57,734,070	14,657,534	-	-	-	72,391,604
1% increase in expected rate of medical benefit increase	-	16,306,424	-	-	-	16,306,424
1% decrease in expected rate of medical benefit increase	-	14,583,650	-	-	-	14,583,650

38.10 Expected contributions to be paid to the funds in the next financial year

1,288,715

38.11 Expected charge for the next financial year

7,403,818

38.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension Fund	11.00
Post retirement medical fund	8.36
Benevolent fund	6.13
Gratuity fund	6.91
Compensated absences	8.38

38.13 Funding Policy

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

Current Assets

	Rupees in '000	Percentage
Cash and cash equivalents - net	459	0.90
Government Securities	24,476	50.97
Shares	6,371	13.27
Non-Government Debt Securities	11,287	23.57
Mutual Funds	5,421	11.29
	<u>48,014</u>	<u>100.00</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



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

38.14 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.

39. DEFINED CONTRIBUTION PLAN

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Bank currently does not have any defined contribution plan.

40. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Fees	-	-	23,588	18,006	-	-
Managerial remuneration	44,479	50,631	-	-	3,529,725	3,143,329
Charge for defined benefit plan	9,358	3,500	-	-	2,670,850	2,395,576
Rent and house maintenance	1,495	1,574	-	-	1,520,698	1,485,569
Utilities	584	621	-	-	513,577	488,455
Medical	63	199	-	-	378,850	583,467
Conveyance	-	-	6,330	6,407	774,830	786,278
Leave fare assistance	-	-	-	-	237	-
Bonus	10,176	-	-	-	1,077,843	1,209,393
Others	2,246	3,074	-	-	30,169	15,114
	68,401	59,599	29,918	24,413	10,496,779	10,107,181
	Number					
Number of persons	2	3	6	6	2,520	2,325

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

Executives mean executives, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

Performance bonus is accounted for on payment basis.

41. 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.



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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.

41.1 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:

	Carrying Value	2018			Total
		Level 1	Level 2	Level 3	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	741,979,834	-	741,979,834	-	741,979,834
Pakistan Investment Bonds	197,596,895	-	197,596,895	-	197,596,895
Ijarah Sukuks	9,683,884	-	9,683,884	-	9,683,884
Ordinary shares of listed companies	39,059,980	39,059,980	-	-	39,059,980
Ordinary shares of unlisted companies	1,594,289	-	-	1,594,289	1,594,289
Preference shares	125,936	39,072	-	86,864	125,936
Investments in mutual funds	2,027,408	2,027,408	-	-	2,027,408
Term Finance Certificates / Musharika and Sukuk Bonds	56,266,040	-	56,266,040	-	56,266,040
GoP Foreign Currency Bonds	24,946,934	-	24,946,934	-	24,946,934
Foreign Government Securities	820,450	-	820,450	-	820,450
Foreign Currency Debt Securities	1,457,561	-	1,457,561	-	1,457,561
Ordinary shares of a bank outside Pakistan	16,034,284	16,034,284	-	-	16,034,284
	1,091,593,495	57,160,744	1,032,751,598	1,681,153	1,091,593,495
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	247,518,270	-	-	-	-
Balances with other banks	12,202,020	-	-	-	-
Lending to financial instruments	106,391,667	-	-	-	-
Investments					
Pakistan Investment Bonds	157,346,442	-	-	-	-
GoP Foreign Currency Bonds	2,859,233	-	-	-	-
Foreign Government Securities	25,866,066	-	-	-	-
Foreign Currency Debt Securities	532	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	284,572	-	-	-	-
Advances	926,007,004	-	-	-	-
Other assets	168,022,298	-	-	-	-
	1,646,498,104	-	-	-	-
	2,738,091,599	57,160,744	1,032,751,598	1,681,153	1,091,593,495
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	512,873,075	-	512,873,075	-	512,873,075
Forward government securities transactions	51,058,222	-	51,058,222	-	51,058,222



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	Carrying Value	2017			Total
		Level 1	Level 2	Level 3	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	821,604,736	-	821,604,736	-	821,604,736
Pakistan Investment Bonds	136,189,585	-	136,189,585	-	136,189,585
Ijarah Sukuks	11,193,314	-	11,193,314	-	11,193,314
Ordinary shares of listed companies	45,130,727	45,130,727	-	-	45,130,727
Ordinary shares of unlisted companies	982,989	-	-	982,989	982,989
Preference shares	118,726	31,862	-	86,864	118,726
Investments in mutual funds	2,705,052	2,705,052	-	-	2,705,052
Term Finance Certificates / Musharika and Sukuk Bonds	47,674,583	-	47,674,583	-	47,674,583
GoP Foreign Currency Bonds	17,161,595	-	17,161,595	-	17,161,595
Foreign Government Securities	548,574	-	548,574	-	548,574
Foreign Currency Debt Securities	1,629,919	-	1,629,919	-	1,629,919
Ordinary shares of a bank outside Pakistan	11,307,008	11,307,008	-	-	11,307,008
	<u>1,096,246,808</u>	<u>59,174,649</u>	<u>1,036,002,306</u>	<u>1,069,853</u>	<u>1,096,246,808</u>
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	160,089,619	-	-	-	-
Balances with other banks	26,403,906	-	-	-	-
Lending to financial instruments	26,916,113	-	-	-	-
Investments	-	-	-	-	-
Pakistan Investment Bonds	169,476,489	-	-	-	-
GoP Foreign Currency Bonds	2,309,720	-	-	-	-
Foreign Government Securities	20,942,215	-	-	-	-
Foreign Currency Debt Securities	424	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	285,879	-	-	-	-
Advances	739,771,983	-	-	-	-
Other assets	216,350,961	-	-	-	-
	<u>1,362,547,309</u>	-	-	-	-
	<u>2,458,794,117</u>	<u>59,174,649</u>	<u>1,036,002,306</u>	<u>1,069,853</u>	<u>1,096,246,808</u>
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	345,224,842	-	345,224,842	-	345,224,842
Forward government securities transactions	55,515,458	-	55,515,458	-	55,515,458



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

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

41.2 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:

	2018				Total
	Carrying Value	Level 1	Level 2	Level 3	
	Rupees in '000				
Land & building (property and equipment)	47,995,831	-	47,995,831	-	47,995,831
Non-banking assets acquired in satisfaction of claims	3,796,527	-	3,796,527	-	3,796,527
	51,792,358	-	51,792,358	-	51,792,358
	2017				Total
	Carrying Value	Level 1	Level 2	Level 3	
	Rupees in '000				
Land & building (property and equipment)	26,526,197	-	26,526,197	-	26,526,197
Non-banking assets acquired in satisfaction of claims	2,779,193	-	2,779,193	-	2,779,193
	29,305,390	-	29,305,390	-	29,305,390



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42. SEGMENT INFORMATION

42.1 Segment Details with respect to Business Activities

	2018						Total
	Commercial & Retail Banking	Corporate Banking	Treasury	International Banking	Aitemaad & Islamic Banking	Head Office / Others	
	Rupees in '000						
Profit and loss account							
Net mark-up / return / profit	(26,862,520)	26,991,390	51,121,992	2,654,886	2,411,880	4,348,603	60,666,230
Inter segment revenue - net	72,329,938	(22,853,242)	(52,546,888)	-	(457,595)	3,527,787	-
Non mark-up / return / interest income	14,414,607	2,045,323	15,377,074	1,463,209	342,962	2,605,762	36,248,936
Total income	59,882,025	6,183,471	13,952,178	4,118,095	2,297,247	10,482,152	96,915,166
Segment direct expenses	27,128,593	258,974	311,411	3,365,678	2,267,040	846,119	34,177,815
Inter segment expense allocation	-	-	-	-	-	21,753,597	21,753,597
Total expenses	27,128,593	258,974	311,411	3,365,678	2,267,040	22,599,716	55,991,412
Provisions Charge / (Reversal)	(1,237,477)	11,626,247	1,404,766	(730,549)	87,201	150,185	11,300,373
Profit / (loss) before tax	33,990,909	(5,701,750)	12,236,001	1,482,966	(56,994)	(12,267,748)	29,683,381
Statement of financial position							
Cash and bank balances	121,763,323	189,794	78,372,622	54,739,132	4,655,330	89	259,720,290
Investments	-	-	1,139,600,282	55,950,776	23,914,372	64,853,958	1,284,319,388
Net inter segment lending	1,321,328,484	-	-	-	-	79,158,614	1,400,487,098
Lendings to financial institutions	-	-	104,971,318	-	1,417,699	2,650	106,391,667
Advances - performing	341,581,933	500,111,019	17,990	46,230,666	26,741,353	11,437,390	926,120,352
Advances - non-performing	19,917,069	22,069,620	-	39,181,569	364,825	51,826,711	133,359,795
Provision against Advances	(20,155,956)	(20,141,547)	-	(38,328,525)	(278,995)	(54,568,120)	(133,473,143)
Advances - Net	341,343,046	502,039,092	17,990	47,083,710	26,827,183	8,695,981	926,007,004
Others	28,212,221	50,731,814	9,761,367	3,904,176	2,142,202	127,376,060	222,127,840
Total assets	1,812,647,074	552,960,699	1,332,723,579	161,677,795	58,956,787	280,087,353	4,199,053,285
Borrowings	1,041,673	21,864,290	333,432,591	36,400,842	-	-	392,739,396
Deposits and other accounts	1,775,438,318	80,797,441	-	104,127,206	51,022,237	-	2,011,385,201
Net inter segment borrowing	-	404,994,021	969,156,574	20,257,431	6,079,071	-	1,400,487,097
Others	36,167,083	45,304,947	24,212,749	1,650,467	1,146,690	79,091,120	187,573,056
Total liabilities	1,812,647,074	552,960,699	1,326,801,914	162,435,946	58,247,998	79,091,120	3,992,184,750
Equity	-	-	5,921,665	(758,151)	708,789	200,996,233	206,868,535
Total equity and liabilities	1,812,647,074	552,960,699	1,332,723,579	161,677,795	58,956,787	280,087,353	4,199,053,285
Contingencies and commitments	579,228,336	203,590,159	-	27,725,864	-	100,394	810,644,753



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42.2 Segment details with respect to geographical locations

	2018					Total
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	
	Rupees in '000					
Profit and loss account						
Net mark-up / return / profit	58,011,345	372,401	47,754	637,571	1,597,159	60,666,230
Non mark-up / return / interest income	34,785,727	640,497	214,100	282,268	326,344	36,248,936
Total income	92,797,072	1,012,898	261,854	919,839	1,923,503	96,915,166
Segment direct expenses	30,812,138	1,292,532	604,635	912,033	556,476	34,177,815
Inter segment expense allocation	21,753,597	-	-	-	-	21,753,597
Total expenses	52,565,735	1,292,532	604,635	912,033	556,476	55,931,412
Provisions	12,030,923	(729,345)	(181)	(127,712)	126,688	11,300,373
Profit / (loss) before tax	28,200,414	449,711	(342,600)	135,518	1,240,339	29,683,381
Statement of financial position						
Cash and bank balances	204,981,158	19,275,569	7,576,196	25,721,371	2,165,997	259,720,290
Investments	1,228,368,613	28,246,370	-	8,201,033	19,503,372	1,284,319,388
Net inter segment lendings	20,257,430	-	-	-	3,975,816	24,233,246
Lendings to financial institutions	106,391,667	-	-	-	-	106,391,667
Advances - performing	879,889,686	8,863,859	559,157	5,373,523	31,434,126	926,120,352
Advances - non-performing	94,178,226	31,527,101	1,069,071	1,776,756	4,808,641	133,359,795
Provision against Advances	(95,144,619)	(31,653,822)	(1,074,372)	(1,781,391)	(3,818,940)	(133,473,143)
Advances - net	878,923,293	8,737,138	553,856	5,368,888	32,423,828	926,007,004
Others	218,223,663	2,341,154	112,792	588,903	861,326	222,127,839
Total assets	2,657,145,824	58,600,231	8,242,845	39,880,195	58,930,339	2,822,799,434
Borrowings	356,338,554	3,603,168	-	-	32,797,674	392,739,396
Subordinated debt	-	-	-	-	-	-
Deposits & other accounts	1,907,257,995	44,130,571	5,529,140	28,434,398	26,033,097	2,011,385,201
Net inter segment borrowing	-	10,200,719	2,551,012	11,481,515	-	24,233,246
Others	185,922,589	691,695	162,693	215,603	580,475	187,573,056
Total liabilities	2,449,519,138	58,626,153	8,242,845	40,131,516	59,411,247	2,615,930,899
Equity	207,626,686	(25,922)	-	(251,321)	(480,908)	206,868,535
Total equity and liabilities	2,657,145,824	58,600,231	8,242,845	39,880,195	58,930,339	2,822,799,434
Contingencies and commitments	782,918,889	5,496,677	2,338,069	1,785,079	18,106,040	810,644,753



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	2017					
	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	51,815,885	671,278	20,491	509,596	1,235,628	54,252,879
Non mark-up / return / interest income	29,672,405	539,743	197,827	289,649	366,246	31,065,870
Total Income	81,488,290	1,211,021	218,318	799,245	1,601,874	85,318,749
Segment direct expenses	29,123,517	1,176,746	609,732	1,084,076	495,901	32,489,973
Inter segment expense allocation	16,037,564	-	-	-	-	16,037,564
Total expenses	45,161,081	1,176,746	609,732	1,084,076	495,901	48,527,537
Provisions	963,521	(72,113)	(46,692)	401,290	(54,061)	1,191,944
Profit / (loss) before tax	35,363,688	106,388	(344,722)	(686,121)	1,160,034	35,599,268
Statement of financial position						
Cash and bank balances	148,951,196	15,253,436	6,420,016	3,213,388	12,655,489	186,493,525
Investments	1,253,127,104	22,985,093	-	5,447,393	14,159,960	1,295,719,550
Net inter segment lendings	27,956,592	4,340,270	-	-	-	32,296,862
Lendings to financial institutions	26,916,113	-	-	-	-	26,916,113
Advances - performing	692,715,017	9,761,184	1,713,225	5,691,929	26,258,790	736,140,147
Advances - non-performing	89,048,202	25,509,197	890,956	1,518,568	3,830,701	120,797,625
Provision against Advances	(85,904,840)	(25,877,274)	(895,370)	(1,521,367)	(2,966,938)	(117,165,789)
Advances - net	695,858,379	9,393,107	1,708,811	5,689,129	27,122,553	739,771,983
Others	253,524,993	1,928,307	139,689	451,360	375,449	256,419,798
Total assets	2,406,334,377	53,900,213	8,268,516	14,801,271	54,313,452	2,537,617,830
Borrowings	356,354,012	3,365,212	-	-	386,450	360,105,674
Deposits and other accounts	1,633,744,227	49,861,822	5,925,067	4,666,427	32,904,476	1,727,102,019
Net inter segment borrowing	-	-	2,106,363	9,703,131	20,487,368	32,296,862
Others	241,269,921	528,482	237,086	368,857	326,848	242,731,194
Total liabilities	2,231,368,159	53,755,516	8,268,516	14,738,415	54,105,142	2,362,235,749
Equity	174,966,219	144,696	-	62,855	208,311	175,382,081
Total equity and liabilities	2,406,334,378	53,900,213	8,268,516	14,801,270	54,313,453	2,537,617,830
Contingencies and commitments	504,927,122	3,964,277	2,877,045	4,504,647	17,176,502	533,449,593
TRUST ACTIVITIES						
Endowment Fund						

Students Loan Scheme was launched by Government of Pakistan with collaboration with the major commercial banks with a view to extend financial help by way of markup 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 President's of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEED (Intra 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-Haana Fund, Rs. 50 million were contributed by Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the endowment fund in investments stands at Rs. 672 million as at December 31, 2018 (2017: Rs. 637 million).



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44. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel.

The 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:

	2018							2017											
	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A.A/c)	Provision related parties	Other related parties	Directors management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A.A/c)	Provision related parties	Other related parties	
Balances with other banks																			
In current accounts	-	-	-	16,836	-	-	-	-	-	-	-	-	11,927	-	-	-	-	-	-
In deposit accounts	-	-	-	8,780	-	-	-	-	-	-	-	-	663,943	-	-	-	-	-	-
	-	-	-	25,616	-	-	-	-	-	-	-	675,870	-	-	-	-	-	-	-
Investments																			
Opening balance	-	-	4,970,863	-	-	-	-	-	-	-	-	4,362,391	-	-	-	-	-	-	-
Investment made during the year	-	-	-	-	-	-	-	-	-	-	600,000	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	8,472	-	-	-	-	-	-	-	-
Closing balance	-	-	4,970,863	-	-	-	-	-	-	-	4,970,863	-	-	-	-	-	-	-	-
Provision for diminution in value of investments	-	-	3,793,405	-	-	-	-	-	-	-	-	3,771,845	-	-	-	-	-	-	-
	-	-	3,793,405	-	-	-	-	-	-	-	3,771,845	-	-	-	-	-	-	-	-
Advances																			
Opening balance	145,369	398,914	3,314,085	-	-	-	-	-	-	185,830	494,147	3,297,168	-	-	-	-	-	-	-
Addition during the year	20,234	129,655	-	-	-	-	-	-	-	11,782	34,299	18,750	-	-	-	-	-	-	-
Repaid during the year	(27,052)	(371)	(208,178)	-	-	-	-	-	-	(19,962)	(129,532)	(1,833)	-	-	-	-	-	-	-
* Adjustment	84,416	-	-	-	-	-	-	-	-	(32,281)	-	-	-	-	-	-	-	-	-
Closing balance	222,967	528,198	3,105,907	-	-	-	-	-	-	145,369	398,914	3,314,085	-	-	-	-	-	-	-
	222,967	528,198	3,105,907	-	-	-	-	-	-	145,369	398,914	3,314,085	-	-	-	-	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors																			
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	33,938	-	-	-	-	-	-	-	-	-	-	2,000,000
Repaid during the year	-	-	-	-	-	-	-	(39,503)	-	-	-	-	-	-	-	-	-	-	(2,000,000)
* Adjustment	-	-	-	-	-	-	-	222,608	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	217,063	-	-	-	-	-	-	-	-	-	-	-



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	2018							2017						
	Key management personnel	Directors	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A./c)	Other related parties	Key management personnel	Directors	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A./c)	Other related parties
Other Assets														
Interest / mark-up accrued	-	197,027	-	-	-	-	-	-	194,971	2,082,323	-	-	-	-
Other receivable	-	78,258	-	-	-	-	-	-	78,133	-	-	-	-	-
	-	275,285	1,704,892	-	-	-	-	-	273,104	2,082,323	-	-	-	-
Borrowings														
Opening balance	-	-	-	87,920	-	-	-	-	-	49,649	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	38,271	-	-	-	-
Settled during the year	-	-	-	(49,672)	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	38,248	-	-	-	-	-	87,920	-	-	-	-
Deposits and other accounts														
Opening balance	15,614	62,047	885,251	-	1,248	10,300,000	514,539	12,749,309	-	-	1,363	8,800,000	1,035,959	13,137,045
Received during the year	28,447	485,525	287,651	-	4,300,229	28,800,000	16,639,785	14,268,653	-	-	3,781,571	10,300,000	2,744,580	1,808,033
Withdrawals during the year	(33,087)	(454,455)	(32,742)	-	(4,300,392)	(28,000,000)	(16,695,996)	(14,552,023)	-	-	(3,781,686)	(8,800,000)	(3,266,000)	(2,195,769)
* Adjustment	(242)	(12,429)	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	10,732	80,688	1,120,160	-	1,085	11,100,000	458,328	12,465,939	-	-	1,248	10,300,000	514,539	12,749,309
Other Liabilities														
Other payables to subsidiaries	-	-	5,874	-	-	-	-	-	-	5,292	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-	7,968	-	-	-	-
paid to subsidiary	-	-	5,874	-	-	-	-	-	-	13,260	-	-	-	-

* Adjustment due to retirement / appointment of directors and changes in key management executives.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018						2017							
	Key manage- ment personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Key manage- ment personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
Income														
Markup / return / interest earned	-	20,480	-	153,652	-	-	-	-	21,265	-	57	-	-	-
Debits due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	17,496	-	-	-	-	-	-	349
Fee and commission income	-	-	-	-	-	-	-	-	21,246	-	-	-	-	-
Dividend income	-	109,125	-	-	-	-	-	-	109,125	46,109	134,870	-	-	-
Expense														
Markup / return / interest paid	-	18,025	-	937	787,837	1,687,126	-	-	14,664	-	1,346	682,279	1,149,697	-
Transaction Fee paid to company in which director of the bank is interested as director	-	-	-	-	-	-	5,874	-	-	-	-	-	-	7,613
Finance charges paid on lease assets to subsidiary	-	-	-	-	-	-	-	-	1,519	-	-	-	-	-
Remuneration to key management executives including charge for defined benefit plan	394,088	-	-	-	-	-	-	498,567	-	-	-	-	-	-
Commission paid to subsidiaries	-	7,987	-	-	-	-	-	-	21,246	-	-	-	-	-

Rupees in '000

44.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 9,223 million (2017: Rs. 8,621 million) for the year ended December 31, 2018. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 376,907 million (2017: Rs. 279,764 million), Rs. 757,071 million (2017: Rs. 644,002 million) and Rs. 671,296 million (2017: Rs. 360,571 million) respectively and income earned on advances and profit paid on deposits amounted to Rs. 25,959 million (2017: Rs. 19,620 million) and Rs. 30,942 million (2017: Rs. 25,686 million) respectively.



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

45. 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 BaseIII Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

BaseIII instructions comprises of the following three capital standards:

i. Minimum Capital Requirement (MCR):

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

ii. Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 11.90%.

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The bank has a leverage ratio of 3.42% in the year December 31, 2018 (2017 : 3.42%) and Tier-1 capital of Rs. 124,818 million (2017: Rs. 101,303 million).

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

1. Tier 1 Capital (going-concern capital)

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

2. Tier 2 Capital (gone-concern capital)

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

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

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

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

The paid-up capital of the Bank for the year ended December 31, 2018 stood at Rs. 21,275 billion (2017 : Rs. 21,275 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 16.35% (2017: 15.95%).

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



Notes to the Unconsolidated Financial Statements

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	2018	2017
	Rupees in '000	
Minimum Capital Requirement		
Paid-up capital	146,882,410	125,692,679
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	124,818,200	101,302,638
Eligible Additional Tier 1 Capital	-	-
Total Eligible Tier 1 Capital	124,818,200	101,302,638
Eligible Tier 2 Capital	43,840,140	37,582,303
Total Eligible Capital (Tier 1 + Tier 2)	168,658,340	138,884,941
Risk Weighted Assets		
Credit Risk	795,527,135	657,436,715
Market Risk	81,071,227	68,862,912
Operational Risk	155,078,622	144,667,848
Total	1,031,676,984	870,967,475
Common Equity Tier 1 Capital Adequacy ratio	12.10%	11.63%
Tier 1 Capital Adequacy Ratio	12.10%	11.63%
Total Capital Adequacy Ratio	16.35%	15.95%
Leverage Ratio		
Tier-1 Capital	124,818,200	101,302,638
Total Exposures	3,645,020,976	2,961,276,769
Leverage Ratio	3.42%	3.42%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	949,424,482	984,828,182
Total Net Cash Outflow	560,346,109	580,370,735
Liquidity Coverage Ratio	169%	170%
Net Stable Funding Ratio		
Total Available Stable Funding	1,745,679,890	1,531,580,508
Total Required Stable Funding	544,123,198	419,276,880
Net Stable Funding Ratio	321%	365%

45.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time, is available on NBP's websites. The link to the full disclosure is available at <https://www.nbp.com.pk/blsd/>

46 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-prolonged risk management processes.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

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

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

As another initiative with the objective of strengthening the existing business activities of Bank, the Business Process Review and COSO implementation project has been conducted. This will streamline the operating model, improving regulatory compliance, and also improving the customer service and product/ service deployment. This also includes aligning the existing documentation with improved risk based processes, which in turn will act as a tool for effective operations, improve MIS reporting, and efficient risk informed decision making.

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.

46.1 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 of directors 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.

46.2 Risk Management Framework

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

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



Notes to the Unconsolidated Financial Statements

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46.2.1 Credit Risk

Credit risk is the potential that a client or counterparty will fail to meet its contractual obligations to the Bank in accordance with agreed terms. Bank lending activities account for most of the Bank's credit risk, however, other sources of credit risk also exist throughout the undertakings of the Bank. The activities include loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. Bank has a separate setup that ensures the effectiveness of the framework for assessment / measurement, review and reporting of credit risk.

Bank has a clear policy to structure the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential clients, counterparties, groups and to various industry segments. This risk is analyzed on an on-going basis and is subject to frequent review. Vis-à-vis, Bank ensures that credit exposures are adequately backed by sufficient collaterals otherwise different risk mitigation measures are taken to restrict overall credit risk exposure within Bank's tolerance limits.

Credit approval and review process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions, Bank also has an Internal Ratings System based on multiple risk factors. The analysis helps to provide an insight of borrowers' current and future financial health along with repaying capabilities, henceforth, creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, group, or industry is assessed frequently and accordingly limit setting is tailored in accordance with the changing socio-economic / market conditions.

Standardized Approach is used to calculate capital charge for credit risk as per Basel regulatory framework, with simple approach for credit risk mitigation. Moreover, stress testing for credit risk is carried out on regular basis to estimate the possible impact of increase in non-performing loans of the Bank and downward shift in its sub-categories.

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

46.2.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public / Government	1,417,699	-	-	-	-	-
Private	105,150,118	27,092,263	176,150	176,150	176,150	176,150
	106,567,817	27,092,263	176,150	176,150	176,150	176,150



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

46.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Cement	450,704	630,506	19,453	26,756	19,453	26,756
Chemical	323,812	375,180	323,812	375,180	323,812	323,812
Construction	1,633,739	1,633,738	1,633,739	1,633,738	1,633,738	1,633,738
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,820,112	2,193,347	667,725	656,831	667,725	656,831
Sugar	835,681	848,326	396,799	409,444	396,799	409,444
Textile	651,768	662,726	651,768	662,726	651,768	662,726
Transport	7,267,013	10,078,942	-	-	-	-
Financial	7,089,844	3,676,537	90,888	389,104	82,121	380,337
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Miscellaneous	665,814	525,554	25,992	525,554	25,995	525,554
Leather & Tanneries	5,288	5,288	5,288	5,288	5,288	5,288
Food and Personal Care Products	66,660	129,820	11,184	41,184	11,184	33,684
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology & Communication	178	255,252	178	11,072	178	11,072
Vanaspati & Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil & Gas Marketing	95,986	325,470	687	325,470	687	325,469
Cable & Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts & Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	36,697,825	31,556,128	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper & Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,081	7,081
Metal Products	500,000	-	-	-	-	-
	59,459,729	54,252,119	5,182,817	6,417,651	5,174,053	6,350,020

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public / Government	42,259,958	39,530,190	7,620	7,620	7,620	7,620
Private	17,199,771	14,721,929	5,175,197	6,410,031	5,166,433	6,342,395
	59,459,729	54,252,119	5,182,817	6,417,651	5,174,053	6,350,020



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

46.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
Rupees in '000						
Agriculture, Forestry, Hunting & Fishing	49,662,810	49,960,319	4,402,110	5,435,319	3,177,683	3,465,715
Mining & Quarrying	22,745	22,783	17,801	11,060	17,801	11,060
Textile	110,488,207	93,142,074	38,864,324	31,907,831	38,568,647	30,304,649
Chemical & Pharmaceuticals	6,412,431	6,755,774	3,063,802	1,956,208	3,003,942	1,953,583
Cement	26,257,014	12,298,051	1,979,734	2,525,616	1,979,734	2,525,616
Sugar	38,254,733	34,843,081	12,534,711	3,524,592	12,154,881	3,310,592
Footwear and Leather garments	2,360,408	1,994,575	807,322	732,627	807,322	622,141
Automobile & Transportation Equipment	7,054,570	3,534,328	945,441	938,824	944,517	935,998
Electronics & Electrical Appliances	6,409,085	5,795,837	2,285,963	2,627,475	2,229,713	2,526,225
Construction	12,368,450	10,846,571	5,118,701	4,569,473	5,079,926	4,560,255
Power (electricity), Gas, Water, Sanitary	276,911,048	195,999,302	3,773,655	3,916,994	3,773,655	3,916,994
Wholesale and Retail Trade	43,444,267	28,496,975	4,159,078	8,768,041	4,119,598	8,737,672
Exports / Imports	763,528	362,366	383,341	-	375,841	-
Transport, Storage and Communication	59,956,872	58,637,817	9,392,976	7,740,634	8,111,406	6,713,593
Financial	27,574,614	18,401,358	452,815	308,670	290,018	141,626
Services	12,926,433	13,964,021	2,403,166	6,059,173	2,403,166	4,263,669
Individuals	148,892,155	136,822,734	7,009,864	7,438,357	4,872,420	5,339,093
Fertilizer	19,677,499	19,149,874	2,899,669	3,150,330	2,899,008	3,149,436
Metal Products	64,875,984	59,797,961	19,090,063	15,626,261	17,967,424	15,626,261
Telecommunication	13,209,014	11,112,418	1,074,241	449,032	1,074,241	449,032
Public Sector Commodity Operations	67,222,362	53,414,545	73,785	73,785	73,785	73,785
Rice processing & Trading	28,657,001	19,872,642	4,574,543	4,701,462	4,545,340	4,647,737
Food and Tobacco	8,115,938	5,402,675	2,700,660	2,667,036	2,663,201	2,664,424
Glass and Ceramics	2,328,244	1,820,220	422,595	565,724	422,595	565,573
Paper & Board	1,709,687	1,466,504	700,655	419,382	588,257	419,382
Engineering	13,499,460	3,194,084	1,373,475	1,614,557	1,340,601	1,614,557
Plastic Products	2,156,121	2,259,733	945,564	183,943	923,077	166,155
Media	2,324,999	1,559,883	151,457	151,457	151,457	151,457
Flour Mills	2,959,383	2,593,108	543,893	554,963	493,115	554,963
Sports Goods	505,417	459,231	94,222	98,922	94,222	95,397
Others	2,479,668	2,956,928	1,120,170	2,079,877	1,119,449	1,144,082
	1,059,480,147	856,937,772	133,359,795	120,797,625	126,266,039	110,650,722
Credit risk by public / private sector						
Public / Government	353,000,659	279,763,540	2,526,128	3,082,946	2,526,128	3,082,946
Private	706,479,488	577,174,232	130,833,667	117,714,679	123,739,911	107,567,776
	1,059,480,147	856,937,772	133,359,795	120,797,625	126,266,039	110,650,722



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
46.2.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry, Hunting & Fishing	223,213	365,294
Mining & Quarrying	1,720,601	-
Textile	7,187,737	8,375,084
Chemical & Pharmaceuticals	14,423,521	13,629,690
Cement	5,922,193	12,518,662
Sugar	629,349	903,142
Footwear and Leather garments	22,890	88
Automobile & Transportation Equipment	2,702,508	3,042,094
Electronics & Electrical Appliances	2,200,308	3,312,059
Construction	5,946,949	6,575,800
Power (electricity), Gas, Water, Sanitary	162,518,899	146,026,550
Wholesale and Retail Trade	4,026,616	1,833,733
Exports / Imports	15,640	81,369
Transport, Storage and Communication	17,106,207	19,028,395
Financial	9,863,537	16,527,903
Insurance	-	3,151
Services	505,198,201	241,549,989
Individuals	322,799	2,509,575
Fertilizer	2,112,212	1,159,713
Metal Products	2,621,921	4,487,685
Telecommunication	10,829,417	6,769,766
Public Sector Commodity Operations	1,145,176	79,100
Rice processing & Trading	145,000	-
Food and Tobacco	194,405	516,426
Glass and Ceramics	628,694	859,156
Paper & Board	657,319	739,564
Engineering	50,207,516	39,170,933
Plastic Products	265,048	307,879
Others	1,806,877	3,076,793
	<u>810,644,753</u>	<u>533,449,593</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.

Credit risk by public / private sector

	2018	2017
	Rupees in '000	
Public / Government	669,902,699	360,571,294
Private	140,742,054	172,878,299
	<u>810,644,753</u>	<u>533,449,593</u>



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

46.2.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 832,299 million (2017: Rs. 499,590 million) are as follows:

	2018	2017
	Rs in '000	
Funded	252,217,265	212,256,057
Non Funded	580,082,098	287,334,226
Total Exposure	832,299,363	499,590,283

The sanctioned limits against these top 10 exposures aggregated to Rs. 866,076 million (2017: Rs. 623,029 million)

Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
	Rupees in '000			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	2,522,432	2,522,432	2,522,432	2,522,432
Total	2,522,432	2,522,432	2,522,432	2,522,432

46.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2018				
	Disbursements		Utilization		
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad AJK including Gilgit-Baltistan
	Rupees in '000				
Punjab	223,164,822	1,260,394	-	-	-
Sindh	418,508,463	337,521,741	4,575,993	1,860,380	-
KPK including FATA	10,156,322	-	10,156,322	-	-
Balochistan	4,762,370	-	-	4,762,370	-
Islamabad	68,921,607	17,918,593	628,607	-	-
AJK including Gilgit-Baltistan	5,489,347	-	-	-	5,489,347
Total	731,002,931	249,289,103	15,360,922	6,622,750	9,7540,082



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Province / Region	2017					Rupees in '000	
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan		Islamabad
Punjab	250,166,947	245,614,187	4,352,760	200,000	-	-	-
Sindh	340,188,371	6,682,731	311,928,198	2,754,263	17,967,346	-	-
KPK including FATA	8,016,053	-	-	8,016,053	-	-	-
Balochistan	7,597,115	-	-	-	7,597,115	-	-
Islamabad	41,239,979	1,149,044	-	2,055,719	-	38,035,216	-
AJK including Gilgit-Baltistan	4,087,832	-	-	-	-	-	4,087,832
Total	651,296,297	253,445,962	316,280,958	13,026,035	25,564,461	38,035,216	4,943,665

46.2.2 Market Risk

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

The Bank's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies/ procedures with the objective to mitigate market risk through the engagement of various strategies in relation with prices, rates, and spread movements of its earning assets, liabilities and trading activities. Bank has also worked on devising improved criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored through pilot run with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel regulatory framework. Whereas, Stress testing for Interest Rate, Equity Prices, and Exchange Rates risks related to market and non-market based activities is carried out regularly to estimate the impact over the capital of the Bank.

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

46.2.2.1 Balance sheet split by trading and banking books

	2018		2017	
	Rupees in '000		Rupees in '000	
	Banking book	Trading book	Banking book	Trading book
Cash and balances with treasury banks	-	-	-	-
Balances with other banks	-	-	-	-
Lendings to financial institutions	-	-	-	-
Investments	1,132,100,010	152,219,378	610,035,499	685,684,051
Advances	-	-	-	-
Fixed assets	-	-	-	-
Intangible assets	-	-	-	-
Deferred tax assets	-	-	-	-
Other assets	-	-	-	-
Total	1,132,100,010	152,219,378	610,035,499	685,684,051
				1,295,719,550



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46.2.2.2 Foreign Exchange Risk

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

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

	2018				2017			
	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
	171,326,260	254,401,610	92,479,631	9,404,282	135,275,628	158,607,120	26,459,128	3,127,636
United States Dollar	3,170,282	6,359,124	4,988,131	1,799,289	3,587,094	5,819,466	5,166,030	2,933,658
Great Britain Pound	5,110,545	10,672,051	7,099,183	1,537,677	5,326,464	21,126,104	17,303,114	1,503,474
Japanese Yen	7,932,384	8,885,376	6,666,157	5,713,165	8,606,947	10,922,203	8,069,549	5,754,293
Euro	66,282,533	22,842,138	1,314,137	44,754,532	53,408,201	22,426,346	2,395,862	33,377,717
Other currencies	253,822,004	303,160,299	112,547,239	63,208,944	206,204,334	218,901,239	59,393,683	46,696,778

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	-	-	-	-
	1,322	-	-	-
			2,804	-

Impact of 1% change in foreign exchange rates
 - Profit and loss account
 - Other comprehensive income

46.2.2.3 Equity position Risk

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

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	-	-	-	-
	3,254,053	-	-	-
			3,425,080	-

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



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

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

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

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

- Impact of 1% change in interest rates
- Profit and loss account
 - Other comprehensive income

2018		2017	
Banking book	Trading book	Banking book	Trading book
Rupees in '000			
7,254,690	4,418,739	6,620,688	3,923,630

46.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/Interest rate	2018										Non-interest bearing financial instruments	
	Exposed to Yield/Interest risk											
	Up to 1 Month	Over 1 to 3 Month	Over 3 to 6 Month	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			
Total	Rupees in '000											
0.0%	24,509,176	-	-	-	-	-	-	-	-	-	-	223,009,094
3.8%	3,360,575	899,549	800,616	703,934	-	-	-	-	-	-	-	6,437,346
10.2%	104,773,968	100,000	100,000	-	1,417,699	-	-	-	-	-	-	-
7.3%	228,579,277	518,721,300	74,571,877	33,395,849	106,605,905	58,004,390	76,305,713	112,598,318	10,325,821	-	-	65,210,938
7.6%	926,007,004	151,301,522	211,277,199	83,030,025	25,012,801	19,844,648	65,971,676	26,297,797	13,079,526	-	-	1,230,501
0.0%	92,425,161	-	-	-	-	-	-	-	-	-	-	92,425,161
	2,668,913,510	512,524,518	848,682,158	117,129,808	131,618,706	79,266,737	142,277,389	138,896,115	23,405,347	-	-	388,363,040
	9,944,178	-	-	-	-	-	-	-	-	-	-	9,944,178
	392,739,396	359,775,652	10,036,682	252,115	137,518	-	113,425	3,312,140	-	-	-	-
	2,011,385,201	1,094,919,396	59,104,551	46,068,888	2,903,261	2,364,941	4,136,245	32,999	-	-	-	773,839,619
	169,358,853	-	-	-	-	-	-	-	-	-	-	169,358,853
	2,583,427,628	1,454,695,048	69,141,233	46,321,003	3,040,779	2,364,941	4,249,670	3,345,139	-	-	-	953,147,650
	85,485,882	(942,170,530)	801,554,993	217,608,459	70,808,805	128,577,927	76,901,796	138,027,719	135,550,976	23,405,347	-	(564,779,610)
	716,304,478	-	-	-	-	-	-	-	-	-	-	716,304,478
	112,547,239	31,240,350	73,421,491	10,099,425	(2,214,027)	-	-	-	-	-	-	-
	45,163,250	41,587,500	3,575,750	-	-	-	-	-	-	-	-	-
	431,521	328,796	6,208	55,180	-	-	-	-	-	-	-	-
	13,500	6,750	-	6,750	-	-	-	-	-	-	-	-
	874,459,988	73,156,646	77,010,199	10,140,762	(2,152,097)	-	-	-	-	-	-	716,304,478
	(869,013,884)	878,565,192	227,749,221	68,656,708	128,577,927	76,901,796	138,027,719	135,550,976	23,405,347	-	-	151,524,868
	(869,013,884)	9,551,308	237,300,529	305,957,237	434,535,164	511,436,960	649,464,679	785,015,655	808,421,002	-	-	959,945,870

On-balance sheet financial instruments

Assets	Liabilities
Cash and balances with treasury banks	Bills payable
Balances with other banks	Borrowings
Lendings to financial institutions	Deposits and other accounts
Investments	Liabilities against assets subject to finance lease
Advances	Other liabilities
Other assets	

On-balance sheet gap

Off-balance sheet financial instruments
Documentary credits and short-term trade-related transactions

- Commitments in respect of:
- forward foreign exchange contracts
 - forward government securities transactions
- Commitments for acquisition of:
- fixed assets
 - other commitments

Off-balance sheet gap

Total Yield/Interest Risk Sensitivity Gap

Cumulative Yield/Interest Risk Sensitivity Gap



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Effective Yield/Interest rate	2017	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
		Rupees in '000											
		Up to 1 Month	Over 1 to 3 Month	Over 3 to 6 Month	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
	Total												
	160,089,619	16,426,030	11,972,068	622,200	440,497	-	-	-	-	-	-	-	143,663,589
0.0%	26,403,906	5,723,152	11,972,068	622,200	440,497	-	-	-	-	-	-	-	7,645,989
3.0%	26,916,113	26,416,088	500,025	-	-	-	-	-	-	-	-	-	-
6.0%	1,295,719,550	485,644,044	313,919,055	31,520,848	33,147,436	84,935,151	85,493,141	97,651,046	86,578,718	9,945,674	-	-	66,884,437
6.7%	739,771,983	265,254,995	211,860,154	95,097,075	34,345,482	19,141,832	27,439,802	56,486,299	17,402,404	11,379,523	-	-	1,364,417
6.9%	163,157,329	-	-	-	-	-	-	-	-	-	-	-	163,157,329
0.0%	2,412,038,500	799,464,309	538,251,302	127,240,123	67,933,415	104,076,983	112,932,943	154,137,345	103,981,122	21,325,197	-	-	382,715,761
	13,195,054	326,677,540	24,762,948	6,284,508	88,683	-	-	-	-	-	-	-	13,195,054
0.0%	360,105,674	971,167,699	42,763,009	44,157,222	72,197,777	21,938,690	1,489,643	381,394	1,479,829	20,000	-	-	573,014,653
5.8%	1,727,102,019	14,509	5,643	5,775	3,091	-	-	353,326	-	-	-	-	228,826,294
3.7%	228,826,294	-	-	-	-	-	-	-	-	-	-	-	228,826,294
7.6%	2,329,243,550	1,297,845,239	67,531,600	50,447,505	72,289,551	22,349,955	1,509,150	734,720	1,499,829	-	-	-	815,036,001
0.0%	82,814,950	498,380,930	470,719,702	76,792,618	4,356,136	81,727,028	111,423,793	153,402,625	102,481,293	21,325,197	-	-	432,320,240
	418,493,125	-	-	-	-	-	-	-	-	-	-	-	418,493,125
	59,393,684	13,512,763	43,201,818	2,445,420	233,683	-	-	-	-	-	-	-	-
	56,665,125	(7,475,000)	64,140,125	-	-	-	-	-	-	-	-	-	-
	826,727	708,975	31,953	23,777	62,022	-	-	-	-	-	-	-	-
	23,115	-	-	1,900	7,715	13,500	-	-	-	-	-	-	-
	535,401,776	6,746,738	107,373,896	2,471,097	303,420	13,500	-	-	-	-	-	-	418,493,125
	(491,634,192)	578,093,598	79,263,715	(4,052,716)	81,740,528	111,423,793	153,402,625	102,481,293	21,325,197	(13,827,115)	-	-	-
	(491,634,192)	86,459,406	165,723,121	161,670,405	243,410,933	354,834,726	508,237,351	610,718,644	632,043,841	618,216,726	-	-	-

2018	Rupees in '000	2017	Rupees in '000
2,668,913,510	2,412,038,500	2,668,913,510	2,412,038,500
53,859,883	32,210,079	53,859,883	32,210,079
245,658	541,924	245,658	541,924
75,547,137	7,316,833	75,547,137	7,316,833
129,652,678	53,193,632	129,652,678	53,193,632
2,798,566,188	2,505,320,968	2,798,566,188	2,505,320,968
2,583,427,628	2,329,243,550	2,583,427,628	2,329,243,550
6,985,042	695,337	6,985,042	695,337
1,284,983	695,337	1,284,983	695,337
8,270,025	2,329,938,887	8,270,025	2,329,938,887
2,591,697,653	2,329,938,887	2,591,697,653	2,329,938,887

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

Total Financial Assets as per note 46.2.2.5
Add: Non-Financial Assets

Fixed Assets
Intangible Assets
Deferred Tax Assets
Other Assets

Total assets as per statement of financial position

Total Financial Liabilities as per note 46.2.2.5
Add: Non-Financial Liabilities

Deferred Tax Liabilities
Other Liabilities

Total liabilities as per statement of financial position



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46.2.3 Operational Risk

The Bank may suffer losses due to its exposure to operational risk. To mitigate, a comprehensive Operational Risk Management (ORM) framework has been developed to aligning the Bank's operations with sound practices for operational risk management set by Basel framework. ORM framework provides guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Bank as well as strategic projects and business change initiatives. Bank realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, Bank has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis.

As per regulatory framework, Bank calculates capital charge for its operational risk using Basic Indicator Approach.

46.2.4 Information Security Risk

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

The Bank, hence, classifies Information as a critical asset and declares the related information storing, processing and transmitting facilities/systems as Information Assets. Information may exist in many forms across the organization such as digital as well as non-digital (paper based). Hence, the Risk Management Group is responsible to provide a framework for information security risk management of information assets to the respective stakeholders. The information security risk management includes risk identification, risk analysis, risk evaluation and risk treatment plans. Currently, ISD-RMG is working on Information Security Risk Management Framework (ISRMF) v1.0 and Cyber Security Management Framework (CSMF) v1.0.

In addition to ISRMF and CSMF, there are other relevant information security domains in which the Information Security Division is responsible for governance and/or execution such as Information/Cyber Security awareness and trainings, Digital Payments Security and Internet/Mobile Banking Security reviews. The respective division is taking care of all such aspects by ensuring the information security in NBP while taking in loop the other relevant stakeholder groups such as Information Technology Group and Payment Services & Digital Banking Group. The Information Security Division of Risk Management Group has also revised the Information Security Policy v3.0 in 2018 which is applicable Bank wide for information security assurance. The division reviews the policy matters related to the information security of NBP's international branches as and when contacted by the International Banking Group. The security reviews of various applications are conducted in coordination with the respective business group (owner) as well as the information technology group (custodian). The establishment of Security Operations Center (SOC) to monitor Information Security operations is one of the many strategic initiatives that this division is working on.

46.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks through generation of various MIS reports on periodic basis. The source of these reports includes, but not limited to, the Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRBB), Downward Shift in NPL Categories, Reputational Risk, Strategic Risk, etc.

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

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



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46.2.6 Liquidity Risk

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

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

ALCO is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility, Regulatory stress 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, NSR and LMTs], liquidity ratios as per SBP parameters [IA, DAB], Gross ADR (net of refinancing from SBP) besides other internal liquidity measures like total approved securities to deposit, etc.

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

	2018													
	Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets														
Cash and balances with treasury banks	247,518,270	247,406,130	112,140	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	12,202,020	6,437,346	1,543,778	1,089,904	726,892	280,381	619,168	800,616	579,334	124,601	-	-	-	-
Lending to financial institutions	106,391,667	-	101,773,968	3,000,000	-	-	100,000	100,000	-	-	1,417,699	-	-	-
Investments	1,284,319,388	5,218,852	218,974,326	768,772	3,619,296	511,035,382	7,685,919	74,571,877	45,232,953	27,220,900	110,353,539	74,038,674	77,483,170	128,115,728
Advances	926,007,004	280,855,744	945,816	9,272,764	33,648,794	63,445,003	15,892,196	78,656,924	50,180,083	40,987,643	44,159,078	61,542,803	141,933,047	104,486,509
Fixed assets	53,859,883	-	-	-	-	-	-	-	-	825,594	2,760,199	825,592	1,452,666	47,995,832
Intangible assets	245,658	-	-	-	-	-	-	-	-	81,886	81,886	81,886	-	-
Other assets	168,022,298	15,088,595	952,126	714,421	944,389	33,922,311	33,514,576	13,437,028	1,596,152	1,573,578	51,909,434	11,938,391	2,411,297	-
	2,798,566,188	555,006,667	324,302,154	14,845,861	38,939,371	605,683,677	57,811,859	167,566,445	97,588,522	70,814,202	209,264,136	149,865,045	223,280,180	280,598,069
Liabilities														
Bills payable	9,944,178	9,944,178	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	392,739,396	3,807,347	209,012,046	133,854,642	13,101,617	9,838,857	9,273,007	10,036,682	137,518	114,598	137,518	-	113,425	3,312,139
Deposits and other accounts	2,011,385,201	1,671,322,381	15,517,772	16,567,114	97,152,770	20,661,300	41,741,703	60,123,706	34,859,415	16,165,005	10,684,700	9,897,854	15,465,016	1,226,465
Deferred tax liabilities	6,985,042	-	-	-	-	-	-	-	-	-	-	-	(4,087,385)	11,072,427
Other liabilities	170,643,836	51,174,304	32,470	34,399	81,138	23,508,212	36,506,268	10,252,890	805,329	805,198	28,670,924	3,869,832	7,547,452	7,355,200
	2,591,697,653	1,736,246,210	224,562,288	150,456,155	110,335,525	54,008,369	87,520,978	80,413,278	35,802,462	17,084,801	39,493,142	13,767,706	19,038,508	22,966,231
Net assets	206,868,535	(1,181,241,543)	99,739,866	(133,610,294)	(71,396,154)	554,675,308	(29,709,119)	87,153,167	61,786,060	53,729,401	169,770,994	136,097,339	204,241,672	257,631,838
Share capital	21,275,131													
Reserves	53,274,402													
Unappropriated profit	72,332,877													
Surplus/(Deficit) on revaluation of assets	59,986,125													
	206,868,535													

Figures in '000



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

2017

	Rupees in '000												
	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets													
Cash and balances with treasury banks	160,006,639	82,060	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	7,866,824	794,832	466,402	4,241,083	3,637,377	8,334,691	622,200	440,497	-	-	-	-	-
Lending to financial institutions	-	25,421,596	994,492	-	500,025	-	-	-	-	-	-	-	-
Investments	4,303,810	173,882,666	51,354	307,398,671	313,332,798	566,257	31,520,848	52,206,067	27,812,191	87,191,286	96,800,149	98,850,064	101,783,389
Advances	216,884,632	852,507	2,503,373	32,212,831	29,842,725	15,794,675	61,363,913	41,494,397	22,193,772	69,409,648	51,050,673	120,036,618	76,132,219
Fixed assets	32,210,079	-	-	-	-	-	-	-	828,675	828,675	2,652,366	1,374,165	26,526,198
Intangible assets	541,924	-	-	-	-	-	-	-	180,641	180,641	180,642	-	-
Deferred tax assets	7,316,833	-	-	-	-	-	-	-	-	-	-	2,846,475	4,470,358
Other assets	216,550,961	127,078	134,629	317,554	73,011,610	73,136,392	9,586,732	709,942	708,648	31,352,263	12,585,680	2,593,594	-
	2,505,320,968	401,148,764	4,150,250	344,170,139	420,344,535	97,832,015	103,093,693	94,850,903	51,723,927	188,962,513	163,269,310	225,700,916	208,912,164
Liabilities													
Bills payable	13,195,054	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	360,105,674	6,901,943	3,650,000	16,245,462	774,650	23,988,298	6,284,508	17,785	70,897	411,265	19,507	381,394	1,479,830
Deposits and other accounts	1,727,102,019	19,777,977	6,947,725	58,829,144	17,837,126	24,533,298	59,659,885	22,461,382	25,118,040	19,893,457	7,090,926	28,615,671	445,424
Liabilities against assets subject to finance lease	14,509	-	-	-	5,643	-	5,775	3,091	-	-	-	-	-
Other liabilities	229,521,631	28,718,062	34,399	81,138	68,238,271	81,132,482	7,609,665	736,385	736,055	24,666,417	3,601,078	7,039,121	6,876,088
	2,329,938,887	1,484,687,023	10,832,124	75,155,744	86,855,690	129,694,078	73,559,833	23,218,643	25,924,992	44,971,139	10,711,511	36,036,186	8,801,342
Net assets	175,382,081	(1,083,538,259)	(6,681,874)	269,014,395	333,488,845	(31,862,063)	29,533,860	71,632,260	25,798,935	143,991,374	152,557,999	189,664,730	200,110,822
Share capital	21,275,131												
Reserves	50,356,895												
Unappropriated profit	54,060,653												
Surplus on revaluation of assets	49,689,402												
	175,382,081												

Share capital	21,275,131
Reserves	50,356,895
Unappropriated profit	54,060,653
Surplus on revaluation of assets	49,689,402
	175,382,081



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

	2018									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	247,518,270	148,843,966	3,045,009	45,715,194	45,715,194	4,198,907	-	-	-	-
Balances with other banks	12,202,020	9,797,921	899,549	800,616	703,934	-	-	-	-	-
Lending to financial institutions	106,391,667	104,773,968	100,000	100,000	-	1,417,699	-	-	-	-
Investments	1,284,319,388	228,581,247	518,721,300	74,571,877	72,453,853	110,333,539	74,038,674	77,483,170	112,598,318	15,517,410
Advances	926,007,004	268,658,633	153,845,648	63,731,956	87,623,733	44,172,859	61,555,585	141,933,047	65,399,030	39,086,513
Fixed assets	53,859,883	-	-	-	825,594	2,740,199	825,593	1,452,666	-	47,995,831
Intangible assets	245,658	-	-	-	81,886	81,886	81,886	-	-	-
Other assets	168,022,298	33,224,664	53,167,095	12,181,685	3,169,730	51,909,434	11,958,391	2,411,299	177,997,348	102,599,754
Liabilities	2,798,566,188	793,880,399	729,778,601	197,101,328	210,573,924	213,476,824	149,877,828	223,280,182	-	-
Bills payable	9,944,178	4,582,707	346,059	263,711	4,467,402	284,299	-	-	-	-
Borrowings	392,739,396	359,775,652	19,111,863	10,036,682	252,115	137,518	-	113,425	3,312,141	-
Deposits and other accounts	2,011,385,201	600,692,427	87,023,660	281,536,280	288,413,100	249,499,932	248,713,086	254,280,249	1,226,467	-
Deferred tax liabilities	6,985,042	-	-	-	-	-	-	-	(4,087,385)	11,072,427
Other liabilities	170,643,836	44,399,685	64,686,470	11,792,470	2,321,784	28,670,923	3,869,852	7,547,452	3,677,600	3,677,600
Net assets	2,591,697,653	1,009,450,471	171,168,052	303,629,143	295,454,401	278,592,672	252,582,938	261,941,126	4,128,822	14,750,027
Share capital	21,275,131	-	-	-	-	-	-	-	-	-
Reserves	53,274,402	-	-	-	-	-	-	-	-	-
Unappropriated profit	72,332,877	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	59,986,125	-	-	-	-	-	-	-	-	-
	206,868,535	(215,570,072)	558,610,549	(106,527,815)	(84,880,477)	(65,115,848)	(102,705,110)	(38,660,944)	173,868,525	87,849,727
	21,275,131	-	-	-	-	-	-	-	-	-
	53,274,402	-	-	-	-	-	-	-	-	-
	72,332,877	-	-	-	-	-	-	-	-	-
	59,986,125	-	-	-	-	-	-	-	-	-
	206,868,535	-	-	-	-	-	-	-	-	-
	160,089,619	93,001,602	22,362,672	22,362,673	22,362,672	-	-	-	-	-
	26,403,906	13,369,141	11,972,068	622,200	440,497	-	-	-	-	-
	26,916,113	26,416,088	500,025	-	-	-	-	-	-	-
	1,295,719,550	485,636,501	313,919,055	31,520,848	80,018,259	87,191,286	96,800,149	98,850,064	85,568,532	16,214,856
	739,771,983	207,079,291	93,174,637	47,341,791	64,377,947	73,190,070	54,182,372	128,487,766	51,111,150	20,826,959
	32,210,079	-	-	-	828,676	828,675	2,652,366	1,374,165	-	26,526,197
	54,1924	-	-	-	180,642	180,641	-	-	-	-
	7,316,833	-	-	-	-	-	-	-	-	-
	216,350,961	22,127,764	137,689,781	8,583,291	1,418,588	31,352,263	12,585,680	2,593,594	4,470,358	-
	2,505,320,968	847,630,387	579,618,238	110,430,803	169,627,281	192,742,935	166,401,208	234,152,064	141,150,040	63,568,012
	13,195,054	6,119,066	456,724	348,042	5,637,243	633,979	-	-	-	-
	360,105,674	326,677,540	24,762,948	6,284,508	88,683	411,265	19,507	381,394	1,479,829	-
	1,727,102,019	544,976,676	79,762,825	210,406,584	214,764,551	226,942,098	214,139,567	235,664,313	445,425	-
	14,509	-	5,643	5,776	3,090	-	-	-	-	-
	299,521,631	24,404,850	152,140,735	8,290,436	2,502,907	24,666,417	3,601,078	7,039,121	3,438,043	3,438,044
	2,329,938,887	902,178,132	257,128,875	225,335,326	222,996,474	252,653,759	217,760,152	243,084,828	5,363,297	3,438,044
	175,382,081	(54,547,745)	372,489,363	(114,904,523)	(53,369,193)	(59,910,824)	(8,932,764)	(8,932,764)	135,786,743	60,129,968
Net assets	2,154,590,806	847,630,387	579,618,238	110,430,803	169,627,281	192,742,935	166,401,208	234,152,064	141,150,040	63,568,012
Bills payable	13,195,054	6,119,066	456,724	348,042	5,637,243	633,979	-	-	-	-
Borrowings	360,105,674	326,677,540	24,762,948	6,284,508	88,683	411,265	19,507	381,394	1,479,829	-
Deposits and other accounts	1,727,102,019	544,976,676	79,762,825	210,406,584	214,764,551	226,942,098	214,139,567	235,664,313	445,425	-
Liabilities against assets subject to finance lease	14,509	-	5,643	5,776	3,090	-	-	-	-	-
Other liabilities	299,521,631	24,404,850	152,140,735	8,290,436	2,502,907	24,666,417	3,601,078	7,039,121	3,438,043	3,438,044
Net assets	2,329,938,887	902,178,132	257,128,875	225,335,326	222,996,474	252,653,759	217,760,152	243,084,828	5,363,297	3,438,044
	175,382,081	(54,547,745)	372,489,363	(114,904,523)	(53,369,193)	(59,910,824)	(8,932,764)	(8,932,764)	135,786,743	60,129,968
Share capital	21,275,131	-	-	-	-	-	-	-	-	-
Reserves	50,356,895	-	-	-	-	-	-	-	-	-
Unappropriated profit	54,060,653	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	49,689,402	-	-	-	-	-	-	-	-	-
	175,382,081	-	-	-	-	-	-	-	-	-



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

46.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, commodity price, security price, FX rate etc. and is often simply called the "underlying". Derivatives include forwards, futures, swaps, options and structured financial products that have one or more of the characteristics of forwards, futures, swaps and options. Futures and options are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivative contracts. Once acquired, the Bank will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate & Cross currency swaps, Forward rate agreements, Foreign currency options etc.

Moreover, the Bank may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

47. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. Nil per share (2017: Rs. Nil per share) amounting to Rs. Nil (2017: Rs. Nil) at its meeting held on February 22, 2019 for approval of the members at the annual general meeting to be held on March 28, 2019. These financial statements do not reflect this appropriation as explained in note 5.19.

48. CORRESPONDING FIGURES

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

49. GENERAL

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

50. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 22, 2019 by the Board of Directors of the Bank.



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000

Sr. No.	Name & Address of the borrower	Name of Individuals/ Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1	Punjab Printing (Pvt) Limited 16-KM Multan Road, Lahore	Khali Hashmat 352025-926909-1 Misbah Khalil 35202-5738845-2	Hashmat Ali Khalil Hashmat	30,000	22,077	169	52,246	-	-	10,865	10,865
2	Heavy Mechanical Complex	Government Institution	N/A	406,818	130,921	-	537,739	-	-	130,921	130,921
3	Mr. Muhammad Idrees (Saiban Loan)	Muhammad Idrees 36302-4970934-9	Ch. Mian Khan	598	211	651	1,460	-	-	598	598
4	M/S Gas Linkers	Muhammad Nasir Khan Lodhi 36302-7256811-5 Naeem Ghous Qureshi 36302-1324272-5 Naveed Ahmad Lodhi 36302-5005741-5 Mst. Ahmedi Begum 36302-4508710-8	Mr. Nisar Khan Lodhi Mr. Shabbir Ahmad Qureshi Mr. Nisar Khan Lodhi Mr. Mian Jaffar Hussain	9,780	6,564	150	16,494	-	-	3,587	3,587
5	Javaid Trading Company, Mian Channu	M Aslam Khan 33202-7173874-5	Ibrahim Khan	239	-	2,198	2,437	-	-	645	645
6	Jamal Naveed Paper Mills	M Naveed Mughal 36103-7416082-7 Farhana Naveed 36104-4752462-0	Jamal Din M Naveed Mughal	111	-	2,096	2,207	-	-	809	809
7	Ramay Model Ginnig Factory, Vehari	M. Anwar Ramay 36603-7495795-9 Mst. Safia Sultana 450086729 Passport Mst Shehnaz Anwar 36603-9580703-6	Muhammad Ali M Ashraf Ramay M Anwar Ramay	-	296	1,992	2,288	-	-	1,026	1,026



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

Sr. No.	Name & Address of the borrower	Name of Individuals/ Partners/Directors with NIC No.	Fathers/Husband's name.	Rupees in '000							
				Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
8	Al-Madina CNG GT.Road Hasanabdul	Masood Pervaiz Kiani 37405-0788862-7 Mst. Farzana Bibi 37405-2185846-2 Mst. Fahmeeda Begum 37405-7426440-6 Mst. Iffat Perveen 37405-0512356-6	Raja Allah Dad Raja Muhammad Hanif Raja Zumarad Khan Liaqat Ali Kiani	10,220	3,164	3,580	16,964	-	-	867	867
9	Abdul Ghaffar Malik R/O H# 868, Ward "A" Garibabad Nawabshah	Abdul Ghaffar Malik 45402-5736585-5	Abdul Ghaffar Malik	-	-	967	967	-	-	967	967
10	Umair & Company S.I.E.Gujrat	Adnan Naseem 34201-7253478-7 Umair Adnan 34201-5402368-9	Muhammad Naseem Sethi Adnan Naseem	10,699	823	3,581	15,103	-	-	1,023	1,023
11	Hashim Zaman Ward no 24 gojra mzd	Hashim Zaman 82201-7990351-9	Shah Jehan	651	-	-	651	651	-	-	651
12	Sultan Mehmood	Sultan Mehmood 82202-6530878-1	Mati ullah Awan	682	-	-	682	682	-	-	682
13	M/s Medica International 94-C , Small Industrial Estate, Sialkot	Qaiser Anwar Sheikh 34603-8885476-3 Waseem Anwar Sheikh 34603-3020187-5 Usman Ali 34603-6584707-1 Nadia Shama 34603-8449854-4	Muhammad Anwar Sheikh Muhammad Anwar Sheikh Muhammad Suleman Qaiser Anwar Sheikh	2,300	-	2,248	4,548	-	-	1,626	1,626



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

Sr. No.	Name & Address of the borrower	Name of Individuals/ Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
14	M/S Nawaz Steel Furnace	Muhammad Nawaz 34502-8668970-9 Muhammad Niaz 34502-0883942-9 Muhammad Shahid 34502-1102673-1	Muhammad Saddique Muhammad Saddique Muhammad Saddique	-	-	4,814	4,814	-	-	3,610	3,610
15	Kh. Atif Raza	Kh. Atif Raza 34601-0795218-1 Khalida Perveen 34601-5543248-2	Kh. Farasat Ullah Khan Kh. Atif Raza	900	-	4,041	4,941	-	-	3,539	3,539
16	Geo Oil Mills Pvt Ltd Plot No.2C; 3rd Floor, Sunset Lane No.01 D.H.A Phase II Ext. Karachi	Qazi Amjad Abid Abbasi 42301-1470554-5 Mrs. Husna Amjad Kazi 42301-2513839-0 Arshad Mirza 42301-9618970-5	Qazi Abdul Majeed Abid Qazi Amjad Abid Abbasi Iqbal Mirza	49,995	20,053	36	70,084	-	-	9,084	9,084
17	Dadabhoy Cement Industries Ltd. Office # 4, Second Floor, Plot # 30, Itehad Lane # 12, Phase VII, Defence Housing Authority, Karachi	Mr.Muhammad Hussain Dadabhoy 517-45-174895 Mrs.Yasmin Dadabhoy 517-91-453214 Mrs.Humaira Dadabhoy 517-88-228760 Mr.Muhammad Amin Dadabhoy 517-89-228761 Mr.Fazal Karim Dadabhoy 517-94-396898 Mrs.Razia Hussain Dadabhoy 517-47-228759	Abdul Ghani Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy	7,303	-	30,977	38,280	-	-	30,977	30,977
18	Niaz Hussain	Niaz Hussain 32103-0299511-3	Faiz Muhammad	502	43	-	545	502	-	43	545
	Total			530,798	184,152	57,500	772,450	1,835	-	200,187	202,022



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 192 (2017: 169) Islamic banking branches and no Islamic banking windows at the end of the 2018 year.

	Note	2018	2017
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		4,649,968	3,019,664
Balances with other banks		4,319	2,809,667
Due from financial institutions	1	1,417,699	-
Investments	2	23,914,372	17,854,897
Islamic financing and related assets - net	3	26,827,280	18,946,404
Fixed assets		275,435	195,431
Intangible assets		-	-
Due from Head Office		-	-
Other assets		1,998,587	1,149,381
		<u>59,087,660</u>	<u>43,975,444</u>
LIABILITIES			
Bills payable		228,382	126,099
Due to financial institutions		-	-
Deposits and other accounts	4	51,022,121	36,908,343
Due to Head Office		3,920,506	5,120,098
Subordinated debt		-	-
Other liabilities		1,065,012	257,113
		<u>56,236,021</u>	<u>42,411,653</u>
NET ASSETS		<u>2,851,639</u>	<u>1,563,791</u>
REPRESENTED BY			
Islamic Banking Fund		2,200,000	1,700,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		708,789	91,926
Unappropriated/ Unremitted loss	6	(57,150)	(228,135)
		<u>2,851,639</u>	<u>1,563,791</u>

The profit and loss account of the Bank's Islamic banking branches for the year ended 2018 is as follows:

	Note	2018	2017
		Rupees in '000	
Profit / return earned	7	3,117,907	2,021,472
Profit / return expensed	8	(1,423,091)	(954,510)
Net Profit / return		<u>1,694,816</u>	<u>1,066,962</u>
Other income			
Fee and Commission Income		285,190	254,425
Dividend Income		-	-
Foreign Exchange Income		19,466	1,113
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other Income		39,140	36,095
Total other income		<u>343,796</u>	<u>291,633</u>
Total Income		<u>2,038,612</u>	<u>1,358,595</u>
Other expenses			
Operating expenses		(2,008,278)	(1,586,730)
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		<u>(2,008,278)</u>	<u>(1,586,730)</u>
Profit / (loss) before provisions		<u>30334</u>	<u>(228135)</u>
Provisions and write offs - net		(87,484)	-
Profit / (loss) before taxation		<u>(57,150)</u>	<u>(228,135)</u>
Taxation		-	-
Profit / (loss) after taxation		<u>(57,150)</u>	<u>(228,135)</u>



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018			2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
.....Rupees in '000.....						
1 Due from Financial Institutions						
Secured	-	-	-	-	-	-
Unsecured	-	-	-	-	-	-
Bai Muajjal Receivable from State						
Bank of Pakistan	1,417,699	-	1,417,699	-	-	-
	<u>1,417,699</u>	<u>-</u>	<u>1,417,699</u>	<u>-</u>	<u>-</u>	<u>-</u>

This represent Bai Muajjal agreement with Government of Pakistan and carries profit rate 12.82% per annum.

	2018				2017			
	Cost/ Amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying Value	Cost/Amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying Value
.....'Rupees in '000.....								
2 Investments by segments:								
Federal Government Securities:								
Ijarah Sukuks	9,740,000	-	(56,116)	9,683,884	11,123,388	-	69,926	11,193,314
	<u>9,740,000</u>	<u>-</u>	<u>(56,116)</u>	<u>9,683,884</u>	<u>11,123,388</u>	<u>-</u>	<u>69,926</u>	<u>11,193,314</u>
Non Government Debt Securities								
-Listed	600,000	-	5,211	605,211	802,083	-	22,000	824,083
-Unlisted	12,996,390	(130,807)	759,694	13,625,277	5,968,307	(130,807)	-	5,837,500
	<u>13,596,390</u>	<u>(130,807)</u>	<u>764,905</u>	<u>14,230,488</u>	<u>6,770,390</u>	<u>(130,807)</u>	<u>22,000</u>	<u>6,661,583</u>
Total Investments	<u>23,336,390</u>	<u>(130,807)</u>	<u>708,789</u>	<u>23,914,372</u>	<u>17,893,778</u>	<u>(130,807)</u>	<u>91,926</u>	<u>17,854,897</u>

	Note	2018 Rupees in '000	2017 Rupees in '000
3 Islamic financing and related assets			
Ijarah	3.1	436,069	307,253
Murabaha	3.2	2,024,071	1,221,869
Musawama		69,867	-
Diminishing Musharaka		11,971,073	5,137,063
Istisna		525,434	-
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advances against Islamic assets (Ijarah, Murbaha, DM, Istasna)		3,580,044	3,972,013
Gross Islamic financing and related assets		<u>27,106,558</u>	<u>19,138,198</u>
Less: provision against Islamic financings			
- Specific		(278,995)	(191,794)
- General		(283)	-
		<u>(279,278)</u>	<u>(191,794)</u>
Islamic financing and related assets - net of provision		<u>26,827,280</u>	<u>18,946,404</u>



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

3.1 Ijarah

	2018						Book Value as at 31 Dec 2018
	Cost			Depreciation			
	At January 1, 2018	Additions / (deletions)	As at Dec 31, 2018	At January 1, 2018	Charge for the year	As at Dec 31, 2018	
	Rupees in 000						
Plant & Machinery	451,451	287,508	738,959	216,383	140,209	356,592	382,367
Vehicles	78,867	74,669	153,536	6,682	93,152	99,834	53,702
Total	530,318	362,177	892,495	223,065	233,361	456,426	436,069

	2017						Book Value as at 31 Dec 2017
	Cost			Accumulated Depreciation			
	At January 1, 2017	Additions / (deletions)	As at Dec 31, 2017	At January 1, 2017	Charge for the year	As at Dec 31, 2017	
	Rupees in 000						
Plant & Machinery	293,016	158,435	451,451	134,325	82,058	216,383	235,068
Vehicles	13,706	65,161	78,867	3,014	3,668	6,682	72,185
Total	306,722	223,596	530,318	137,339	85,726	223,065	307,253

	2018				2017			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
Ijarah rental receivables	159,136	323,779	-	482,915	147,059	174,391	-	321,450

3.2 Murabaha

	Note	2018	2017
		Rupees in '000	
Murabaha financing	3.2.1	2,024,071	1,221,869
Advances for Murabaha		2,102,566	3,011,394
		4,126,637	4,233,263
3.2.1 Murabaha receivable - gross	3.2.2	2,112,680	1,299,670
Less: Deferred murabaha income	3.2.4	25,372	40,769
Profit receivable shown in other assets		63,237	37,032
Murabaha financings		2,024,071	1,221,869



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

2018 2017
Rupees in '000

3.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance	1,299,670	552,789
Sales during the year	9,048,097	5,536,029
Adjusted during the year	8,235,087	4,789,148
Closing balance	2,112,680	1,299,670

3.2.3 Murabaha sale price	9,048,097	5,536,029
Murabaha purchase price	8,757,480	5,441,783
	290,617	94,246

3.2.4 Deferred murabaha income		
Opening balance	40,769	34,612
Arising during the year	268,985	78,664
Less: Recognised during the year	284,382	72,507
Closing balance	25,372	40,769

4 Deposits

	2018			2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000						
Customers						
Current deposits	16,286,985	60,170	16,347,155	11,241,325	106,479	11,347,804
Savings deposits	26,885,268	-	26,885,268	18,162,262	-	18,162,262
Term deposits	2,608,640	-	2,608,640	2,593,239	-	2,593,239
	45,780,893	60,170	45,841,063	31,996,826	106,479	32,103,305
Financial Institutions						
Current deposits	505,685	-	505,685	587,293	-	587,293
Savings deposits	126,897	-	126,897	217,745	-	217,745
Term deposits	4,548,476	-	4,548,476	4,000,000	-	4,000,000
	5,181,058	-	5,181,058	4,805,038	-	4,805,038
	50,961,951	60,170	51,022,121	36,801,864	106,479	36,908,343



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
4.1 Composition of deposits		
- Individuals	23,931,004	15,521,947
- Government / Public Sector Entities	16,962,630	10,547,389
- Banking Companies	5,060,664	4,604,908
- Non-Banking Financial Institutions	120,394	200,130
- Private Sector	4,947,429	6,033,969
	<u>51,022,121</u>	<u>36,908,343</u>

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 26,139 million.

	2018	2017
	Rupees in '000	
5 Charity Fund		
Opening Balance	469	-
Additions during the period		
Received from customers on account of delayed payment	1,059	469
	<u>1,528</u>	<u>469</u>
Payments / utilization during the period		
Education	469	-
Closing Balance	<u>1,059</u>	<u>469</u>

No charity amount paid exceeds Rs. 0.5 million during the year. Further, there is no charity payments to related parties.

	2018	2017
	Rupees in '000	
6 Islamic Banking Business Unappropriated Profit		
Opening Balance	(228,135)	(381,998)
Add: Islamic Banking loss for the period	(57,150)	(228,135)
Less: Transferred / Remitted to Head Office	228,135	381,998
Closing Balance	<u>(57,150)</u>	<u>(228,135)</u>



Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

2018 2017
Rupees in '000

7 Profit/Return Earned of Financing, Investments and Placement

Profit earned on:

Financing	1,663,027	631,707
Investments	1,428,950	1,039,236
Placements	16,977	172,429
Others (Bai Muajjal)	8,953	178,100
	<u>3,117,907</u>	<u>2,021,472</u>

8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	965,496	666,837
Others (General Account)	457,595	287,673
	<u>1,423,091</u>	<u>954,510</u>

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 27 during the Year & 17 as at December 31, 2018)

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 pool includes 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.



Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

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

Sector	2018	2017
	Percentage	
Fertilizer	3.14%	2.00%
Textile	3.40%	2.30%
Fuel & energy	45.13%	38.60%
Leasing/Modarbas	0.59%	1.00%
Sugar	4.03%	5.70%
Cement	13.67%	4.10%
Gas	3.13%	5.00%
Financial	1.81%	7.30%
Federal Government	19.20%	27.90%
Others	5.89%	6.10%
Total	100.0%	100.0%

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.

	2018 Rupees in '000
Mudarib Share	
Gross Distributable Income	2,194,658
Mudarib (Bank) share of profit before Hiba	912,074
Mudarib Share in %age	42%
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	912,074
Hiba from bank's share to depositors	143,502
Hiba from bank's share to depositors in %age	16%

Profit rates

During the year the average profit rate earned by NBP Islamic Banking Group is 7.14% and the profit rate distributed to the depositors is 4.24%.

Consolidated Financial Statements





Directors' Report Consolidated Financial Statements

We are pleased to present, on behalf of the Board of Directors, the consolidated financial statements of the Bank and its Subsidiaries for the year ended December 31, 2018.

These consolidated financial statements have been prepared in accordance with the applicable International Financial Reporting Standards and Islamic Financial Accounting Standards and other applicable directives.

Consolidated after-tax profit for the year ended December 31, 2018 amounted to PKR 20.04 billion which is 14.2% lower than PKR 23.35 billion for the corresponding year ended December 31, 2017. During this period, our group companies contributed PKR 20.2 million to Bank's consolidated profitability for the year. Consolidated assets of the Bank registered 11.6% growth and amounted to PKR 2,803.9 billion as of December 31, 2018 as against PKR 2,511.5 billion as of December 31, 2017. Consolidated Earnings per Share for the year under review amounted to Rs. 9.36 as against Rs. 10.90 for the year 2017.

The consolidated operating results and appropriation of profits as recommended by the Board are given below:

	Rupees in 'Mn
Pre-tax profit for the year ended December 31, 2018	29,880
Taxation:	
- Current	12,045
- Prior Year(s)	(20,755)
- Deferred	18,554
	9,844
After-tax profit for year ended December 31, 2018	20,035
Un-appropriated profit brought forward	58,069
Other comprehensive income - net of tax	156
Non-controlling interest	(122)
Transfer from surplus on revaluation of fixed assets	103
Profit available for appropriations	78,241
Appropriation:	
Transfer to Statutory Reserve	(2,002)
Un-appropriated profit carried forward	76,240
Basic and diluted earnings per share (Rupees)	9.36

For and on behalf of the Board of Directors

Arif Usmani

President & CEO

Karachi

Date: February 22, 2019

Muhammad Imran Malik

Director



ڈائریکٹرز کی رپورٹ برائے حصص یافتگان مجموعی مالیاتی گوشوارے

بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2018 کو ختم شدہ مالیاتی سال کے لیے بینک اور اُس کے ماتحت اداروں کی مجموعی فنانشل اسٹیٹمنٹس کا حساب پیش کرتے ہوئے ہمیں خوش محسوس ہو رہی ہے۔ یہ مجموعی فنانشل اسٹیٹمنٹس رائج عالمی مالیاتی رپورٹنگ کے معیارات، اسلامی مالیاتی اکاؤنٹنگ کے معیارات اور دیگر لاگو ہدایات کے مطابق تیار کی گئی ہیں۔

31 دسمبر 2018 کو ختم شدہ سال کے لیے ٹیکس کے بعد کے مجموعی منافع کی مالیت 20.04 ارب پاکستانی روپے ہے جو کہ 31 دسمبر 2017 کو ختم شدہ گزشتہ سال کے 23.35 ارب پاکستانی روپے کے مقابلے میں 14.2% کم ہے۔ اس عرصہ کے دوران، سال کے لیے بینک کے مجموعی منافع میں ہماری گروپ کمپنیز کا حصہ 20.2 بلین پاکستانی روپے بھی ہے۔ بینک کے مجموعی گوشواروں میں 11.6% کا اضافہ درج ہوا ہے، جن کی مالیت 31 دسمبر 2017 کے 2,511.5 ارب پاکستانی روپے کے مقابلے میں 31 دسمبر 2018 تک 2,803.9 ارب پاکستانی روپے ہے۔ مجموعی آمدنی فی حصص کی مالیت اس جائزہ رپورٹ کے مطابق سال 2017 کے لیے 10.90 روپے کے مقابلے میں اس سال کی مالیت 9.36 روپے ہے۔

آپریٹنگ کے نتائج اور مجموعی منافع کے تصرف سے متعلق بورڈ کی تجاویز درج ذیل ہیں:

(ملین روپے)	31 دسمبر 2018 کو ختم شدہ سال کے لیے ٹیکس سے قبل منافع
29,880	محاصل:
12,045	☆ جاری
(20,755)	☆ گزشتہ سال (سالوں) کے
18,554	☆ زیر التوی
9,844	
20,035	31 دسمبر 2018 کو ختم شدہ سال کے لیے ٹیکس کے بعد منافع
58,069	غیر تصرف شدہ منافع کو اگلے حساب میں لے جایا گیا
156	ٹیکس کے بعد کی دیگر جامع خالص آمدنی
(122)	نان کنٹرولنگ
103	ٹیکس کے بعد کے جامد اثاثہ جات کا دوبارہ تخمینہ اور اضافی گوشواروں کی منتقلی
78,241	خرچہ جات کے لیے دستیاب منافع
	تصرفات:
(2,002)	قانونی تحفظ کے لیے منتقلی
76,240	غیر تصرف شدہ منافع کو اگلے حساب میں ڈالا گیا

بنیادی اور رقیق آمدنی فی حصص (روپے) 9.36

بورڈ آف ڈائریکٹرز کے لیے یا اُن کی جانب سے

محمد عمران ملک

ڈائریکٹر

عارف عثمانی

صدر و چیئرمین

کراچی

بتاریخ: 22 فروری 2019



Deloitte Yousuf Adil
Chartered Accountants
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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, 2018, and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 24.3.4.1 to the consolidated financial statements which explains the contingency in relation to the pension obligations of the Group. Based on the opinion of the legal counsel, the Group is confident about the favorable outcome of this matter and hence, no provision against any additional pension obligation is made in the consolidated financial statements. Our opinion is not qualified in this respect.

Key Audit Matters

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

Following are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1.	<p>Impairment of loans and advances</p> <p>As disclosed in note 11 to the consolidated financial statements, gross loans and advances of the Group were Rs. 1,060 billion against which non-performing loans and advances (NPLs) were of Rs. 134 billion. The Group has recorded Rs. 127 billion as specific provision against NPLs and Rs. 7.2 billion as general provision.</p> <p>The carrying value of loans and advances to customers may be materially misstated, if impairment is not appropriately identified and estimated as the determination of impairment provisions remains subjective and judgmental area in addition to objective criteria for classification of loans and advances as per Prudential Regulations. Furthermore, the Group is required to make provision, if any, identified by the regulator (SBP).</p> <p>We considered this as a key audit matter as the Group in addition to following objective criteria also makes significant and subjective judgements and makes assumptions to determine the provision and the timing of</p>	<p>For selected samples, we:</p> <ul style="list-style-type: none"> Updated our understanding and evaluated design and implementation of relevant controls; evaluated borrowers through repayment behavior and assessment of financial strength based on the available financial statements, adequacy of security/collateral, electronic credit information bureau (eCIB) reports and compliance with Prudential Regulations; evaluated the appropriateness of subjective evaluation made by management for performing parties; ensured that any provision identified by the SBP was recognized ; and in case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the Prudential Regulations.



S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>recognition of such provision and their impact could be material to the consolidated financial statements.</p>	<p>In addition to the above, on a sample bases, we also reviewed minutes of the meeting of credit and audit committees to identify risky exposures.</p>
2.	<p>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</p> <p>As disclosed in note 10.1 to the consolidated financial statements, the Group has significant investment in equity shares, units of mutual funds and term finance certificates (TFCs) classified as available for sale. As per the Group's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments except where SBP relaxation has been obtained. Further, TFCs are required to be assessed as per the SBP's Prudential Regulations which involves subjective criteria.</p> <p>The significance of the investment amount, subjectivity involved and assumptions used in impairment make it significant to the consolidated financial statements. Therefore, we have considered this as a key audit matter.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> • each investment's cost was compared to its market value where available to determine decline / surplus in valuation; • checked in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Group as disclosed in note 5.25(c) , and • For TFCs, checked that listed TFCs which are traded in were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample bases, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee.
3.	<p>Change in accounting policy as a result of changes in the Companies Act, 2017, and changes in the format for the financial statements issued by the State Bank of Pakistan (SBP)</p> <p>As referred in note 6 to the consolidated financial statements, the Companies Act, 2017 (the Act) became applicable which changed the accounting treatment and presentation of surplus on revaluation of fixed assets. Previously, the deficit arising on revaluation of fixed assets was adjusted against the total balance in the surplus account, or if there was no surplus, it was charged to profit and loss account. Surplus was also presented in the financial statements below equity. As per the revised changes, deficit arising on any particular item of fixed asset; first it is adjusted against surplus of that particular asset, if any available, and then the remaining amount is charged to profit and loss account instead against adjusting of surplus of any other items of fixed assets.</p> <p>SBP also changed the format of financial statements that requires the Group to disclose reserves on revaluation of investments and fixed assets in statement of changes in equity whereas in the previous years, these were disclosed in the statement of financial position below equity.</p> <p>Due to the above, the Group changed its accounting policy to account for surplus on revaluation of land and building and investments classified as available for sale with retrospective effect.</p> <p>Furthermore, during the year, management involved an expert to revalue land and buildings, which resulted in revaluation surplus net of deferred tax of Rs. 20.26 billion.</p> <p>We have considered the above as key audit matter due to change in policy and involvement of the expert by the Group.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> • assessed the procedures performed by management for identification of the changes required in the consolidated financial statements due to application of the Act and the revised format of the financial statements. • re-performed the calculations based on the working and valuation reports to ensure that values of land and building, and respective surplus on revaluation had been properly restated in the consolidated financial statements; and • assessed the competence, objectivity and independence of the valuers engaged by the Group. • engaged our expert to review the revaluation exercise conducted by management's expert on a sample basis, to check the assumptions and basis used for the revaluation of land and buildings were appropriate; and • in respect of the change in accounting policy for the accounting and presentation of surplus on revaluation in respect of investments and land and building as referred in note 6 to the consolidated financial statements; <p>assessed the accounting implication and ensured disclosures in the consolidated financial statements were in accordance with the applicable accounting and reporting standards as applicable in Pakistan.</p>



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

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report 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 the fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matter

The annual consolidated financial statements of the Group for the year ended December 31, 2017 were audited by EY Ford Rhodes, Chartered Accountants and Grant Thornton Anjum Rahman, Chartered Accountants, whose audit report dated February 20, 2018 expressed an unmodified opinion with an emphasis of matter paragraph on contingency related to the pension liability which we have also included above.

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

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi

Date: February 22, 2019





Consolidated Statement of Financial Position As at December 31, 2018

2016	2017	2018		2018	2017	2016	
US Dollars in '000			Note	Rupees in '000			
Restated	Restated			Restated	Restated	Restated	
ASSETS							
1,155,263	1,155,141	1,785,352	Cash and balances with treasury banks	7	247,917,421	160,405,083	160,422,020
103,670	194,382	93,976	Balances with other banks	8	13,049,725	26,992,279	14,395,805
876,478	193,834	766,169	Lendings to financial institutions	9	106,391,667	26,916,113	121,709,399
6,454,476	9,336,881	9,253,615	Investments	10	1,284,974,506	1,296,537,064	896,280,784
4,816,900	5,331,520	6,670,943	Advances	11	926,339,789	740,344,934	668,883,928
234,824	235,283	391,315	Fixed assets	12	54,338,676	32,671,800	32,608,101
10,443	8,285	6,171	Intangible assets	13	856,900	1,150,437	1,450,188
37,249	52,876	-	Deferred tax assets	14	-	7,342,482	5,172,496
818,389	1,577,767	1,224,364	Other assets	15	170,017,572	219,091,687	113,643,016
14,507,692	18,085,969	20,191,905			2,803,886,256	2,511,451,879	2,014,565,737
LIABILITIES							
73,362	95,023	71,612	Bills payable	16	9,944,178	13,195,055	10,187,250
323,083	2,593,265	2,828,273	Borrowings	17	392,739,396	360,105,674	44,863,930
11,933,672	12,437,244	14,484,265	Deposits and other accounts	18	2,011,312,625	1,727,059,246	1,657,132,405
598	409	872	Liabilities against assets subject to finance lease	19	121,077	56,799	83,007
-	-	50,019	Deferred tax liabilities	14	6,945,767	-	-
879,726	1,666,111	1,236,926	Other liabilities	20	171,761,918	231,359,391	122,160,479
13,210,441	16,792,052	18,671,967			2,592,824,961	2,331,776,165	1,834,427,071
1,297,251	1,293,917	1,519,938	NET ASSETS		211,061,295	179,675,714	180,138,666
REPRESENTED BY							
153,211	153,211	153,211	Share capital	21	21,275,131	21,275,131	21,275,131
331,488	359,259	384,862	Reserves	22	53,442,643	49,887,328	46,031,075
405,433	357,423	426,771	Surplus on revaluation of assets	23	59,262,177	49,632,435	56,299,136
401,805	418,181	549,032	Unappropriated profit		76,239,599	58,069,393	55,795,352
1,291,937	1,288,074	1,513,876			210,219,550	178,864,287	179,400,694
5,314	5,843	6,062	Non-controlling interest		841,745	811,427	737,972
1,297,251	1,293,917	1,519,938			211,061,295	179,675,714	180,138,666

CONTINGENCIES AND COMMITMENTS 24

The annexed notes 1 to 50 and annexures I and II form an integral part of these consolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Consolidated Profit and Loss Account For the year ended December 31, 2018

2017	2018		Note	2018	2017
US Dollars in '000				Rupees in '000	
888,761	1,081,493	Mark-up / return / interest earned	25	150,178,178	123,415,023
495,534	642,990	Mark-up / return / interest expensed	26	89,286,854	68,810,743
<u>393,227</u>	<u>438,503</u>	Net mark-up / return / interest income		<u>60,891,324</u>	<u>54,604,280</u>
NON MARK-UP / INTEREST INCOME					
132,527	144,921	Fee and commission income	27	20,123,937	18,403,001
25,431	18,030	Dividend income		2,503,711	3,531,391
17,409	63,372	Foreign exchange income		8,799,898	2,417,473
46,935	28,381	Gain on securities - net	28	3,940,977	6,517,542
12	(2,406)	Share of (loss) / profit from joint venture - net of tax		(334,149)	1,709
(3,690)	(255)	Share of loss from associates - net of tax		(35,359)	(512,422)
12,650	19,267	Other income	29	2,675,429	1,756,537
<u>231,274</u>	<u>271,310</u>	Total non-markup / interest income		<u>37,674,444</u>	<u>32,115,231</u>
<u>624,501</u>	<u>709,813</u>	Total income		<u>98,565,768</u>	<u>86,719,511</u>
NON MARK-UP / INTEREST EXPENSES					
358,163	412,168	Operating expenses	30	57,234,494	49,735,202
-	-	Workers welfare fund		-	-
2,204	1,772	Other charges	31	245,997	306,057
<u>360,367</u>	<u>413,940</u>	Total non-markup / interest expenses		<u>57,480,491</u>	<u>50,041,259</u>
<u>264,134</u>	<u>295,873</u>	Profit before provisions		<u>41,085,277</u>	<u>36,678,252</u>
<u>3,851</u>	<u>80,695</u>	Provisions and write offs - net	32	<u>11,205,488</u>	<u>534,732</u>
<u>260,283</u>	<u>215,178</u>	PROFIT BEFORE TAXATION		<u>29,879,789</u>	<u>36,143,520</u>
<u>92,161</u>	<u>70,894</u>	Taxation	33	<u>9,844,489</u>	<u>12,797,658</u>
<u>168,122</u>	<u>144,284</u>	PROFIT AFTER TAXATION		<u>20,035,300</u>	<u>23,345,862</u>
Attributable to:					
166,931	143,404	Shareholders of the Bank		19,913,104	23,180,529
1,191	880	Non-controlling interest		122,196	165,333
<u>168,122</u>	<u>144,284</u>			<u>20,035,300</u>	<u>23,345,862</u>
US Dollars				Rupees	
<u>0.08</u>	<u>0.07</u>	Basic earnings per share	34	<u>9.36</u>	<u>10.90</u>
<u>0.08</u>	<u>0.07</u>	Diluted earnings per share	35	<u>9.36</u>	<u>10.90</u>

The annexed notes 1 to 50 and annexures I and II form an integral part of these consolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Consolidated Statement of Comprehensive Income For the year ended December 31, 2018

2017 US Dollars in '000 Restated		2018 US Dollars in '000		2018 Rupees in '000		2017 Rupees in '000 Restated	
168,122	144,284	Profit after taxation for the year		20,035,300		23,345,862	
Other comprehensive income							
Items that may be reclassified to profit and loss account in subsequent periods:							
11,187	11,190	Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture		1,553,803		1,553,454	
(54,774)	(74,622)	Movement in surplus on revaluation of investments - net of tax		(10,362,093)		(7,605,970)	
(43,587)	(63,432)			(8,808,290)		(6,052,516)	
Items that will not be reclassified to profit and loss account in subsequent periods:							
(19,844)	1,122	Remeasurement gain / (loss) on defined benefit obligations - net of tax		155,785		(2,755,579)	
-	145,913	Movement in surplus on revaluation of fixed assets - net of tax		20,261,759		-	
7,544	(1,203)	Movement in surplus on revaluation of non-banking assets - net of tax		(167,095)		1,047,510	
(12,300)	145,832			20,250,449		(1,708,069)	
112,235	226,684	Total comprehensive income		31,477,459		15,585,277	
Total comprehensive income attributable to:							
111,044	225,804	Shareholders of the Bank		31,355,263		15,419,944	
1,191	880	Non-controlling interest		122,196		165,333	
112,235	226,684			31,477,459		15,585,277	

The annexed notes 1 to 50 and annexures I and II form an integral part of these consolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Reserves				Surplus 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	
Rupees in 1000												
Balances as at December 31, 2016	21,275,131	6,226,174	27,283,563	12,000,000	521,338	46,031,075	-	-	55,795,352	123,101,558	737,972	123,839,530
- as previously reported												
Impact of restatement	-	-	-	-	-	-	33,117,837	23,181,299	56,299,136	-	-	56,299,136
Balances as at December 31, 2016 - restated	21,275,131	6,226,174	27,283,563	12,000,000	521,338	46,031,075	33,117,837	23,181,299	56,299,136	179,400,694	737,972	180,138,666
Profit after taxation for the year ended December 31, 2017	-	-	-	-	-	-	-	-	23,180,529	23,180,529	165,333	23,345,862
Other comprehensive income - net of tax	-	1,553,454	-	-	-	1,553,454	(7,605,970)	1,047,510	(6,558,460)	(2,755,579)	-	(7,760,585)
Transfer to statutory reserve	-	-	2,302,799	-	-	2,302,799	-	-	(2,302,799)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(108,241)	(108,241)	108,241	-	-	-
Transactions with owners, recorded directly in equity												
Cash dividend paid for the year ended December 31, 2016 (Rs. 7.5 per share)	-	-	-	-	-	-	-	-	(15,956,351)	(15,956,351)	-	(15,956,351)
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	(91,878)	(91,878)
Balance as at December 31, 2017 - restated	21,275,131	7,779,628	29,586,362	12,000,000	521,338	49,887,328	25,511,867	24,120,568	49,632,435	178,864,287	811,427	179,675,714
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	-	19,913,104	19,913,104	122,196	20,035,300
Other comprehensive income - net of tax	-	1,553,803	-	-	-	1,553,803	(10,362,093)	20,094,664	9,732,571	155,785	-	11,442,159
Transfer to statutory reserve	-	-	2,001,512	-	-	2,001,512	-	-	(2,001,512)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(102,829)	(102,829)	102,829	-	-	-
Transactions with owners, recorded directly in equity												
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	(91,878)	(91,878)
Balance as at December 31, 2018	21,275,131	9,333,431	31,587,874	12,000,000	521,338	53,442,643	15,149,774	44,112,403	59,262,177	210,219,550	841,745	211,061,295

The annexed notes 1 to 50 and annexures I and II form an integral part of these consolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzoda
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Consolidated Cash Flow Statement For the year ended December 31, 2018

2017		2018		Note	2018		2017	
US Dollars in '000		US Dollars in '000			Rupees in '000		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES								
260,283	215,178	Profit before taxation	29,879,789		36,143,520			
(25,431)	(18,030)	Less: Dividend income	(2,503,711)		(3,531,391)			
234,852	197,148		27,376,078		32,612,129			
Adjustments:								
16,173	17,674	Depreciation	2,454,182		2,245,769			
7,003	2,338	Amortization	324,680		972,466			
3,851	80,695	Provision and write-offs	11,205,488	32	534,732			
(906)	(996)	Gain on sale of fixed assets	(138,248)		(125,760)			
89	139	Finance charges on leased assets	19,313		12,317			
(74)	159	Unrealized loss / (gain) on revaluation of investments classified as held-for-trading	22,024		(10,317)			
36,343	43,662	Charge for defined benefit plans - net	6,062,970		5,046,687			
(12)	2,406	Share of loss / (profit) from joint venture - net of tax	334,149		(1,709)			
3,690	255	Share of loss from associates - net of tax	35,359		512,422			
66,157	146,332		20,319,917		9,186,607			
301,009	343,480		47,695,995		41,798,736			
(Increase) / decrease in operating assets								
693,280	(524,086)	Lendings to financial institutions	(72,775,554)		96,270,236			
(4,864,806)	3,840,087	Held-for-trading securities	533,241,763		(675,536,251)			
(523,582)	(1,458,858)	Advances	(202,579,777)		(72,705,616)			
(2,313)	477,772	Others assets (excluding advance taxation)	66,344,347		(321,200)			
(4,697,421)	2,334,915		324,230,779		(652,292,831)			
Increase/ (decrease) in operating liabilities								
21,660	(23,411)	Bills payable	(3,250,877)		3,007,805			
2,312,453	99,581	Borrowings from financial institutions	13,828,071		321,111,620			
503,571	2,047,022	Deposits	284,253,379		69,926,841			
7,677	(406,841)	Other liabilities	(56,494,695)		1,066,082			
2,845,361	1,716,351		238,335,878		395,112,348			
(89)	(139)	Financial charges paid	(19,313)		(12,317)			
(97,084)	(73,020)	Income tax paid	(10,139,762)		(13,481,233)			
(25,475)	(20,149)	Benefits paid	(2,797,928)		(3,537,495)			
(1,673,699)	4,301,438	Net cash flow from / (used in) operating activities	597,305,649		(232,412,792)			
CASH FLOW FROM INVESTING ACTIVITIES								
1,632,034	(3,922,331)	Net investments in available-for-sale securities	(544,662,351)		226,627,322			
286,571	49,214	Net investments in held-to-maturity securities	6,834,009		39,793,816			
25,431	18,030	Dividends received	2,503,711		3,531,391			
(17,532)	(17,025)	Investments in fixed assets	(2,364,112)		(2,434,524)			
2,122	2,268	Proceeds from sale of fixed assets	314,984		294,671			
11,187	11,190	Effect of translation of net investment in foreign branches	1,553,803		1,553,454			
(4,321)	-	Investment in associates and joint venture	-		(600,000)			
1,935,492	(3,858,654)	Net cash flow (used in) / generated from investing activities	(535,819,956)		268,766,130			
CASH FLOW FROM FINANCING ACTIVITIES								
(357)	(338)	Payments of lease obligations	(46,879)		(49,619)			
(115,498)	182	Dividend paid	25,319		(16,038,284)			
(115,855)	(156)	Net cash flow used in financing activities	(21,560)		(16,087,903)			
145,938	442,628	Increase in cash and cash equivalents	61,464,133		20,265,435			
1,060,551	1,206,491	Cash and cash equivalents at beginning of the year	167,535,611		147,270,176			
1,206,489	1,649,119	Cash and cash equivalents at end of the year	228,999,744	36	167,535,611			

The annexed notes 1 to 50 and annexures I and II form an integral part of these consolidated financial statements.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies

	Percentage Holding	
	2018	2017
	%	%
- CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	100.00
- CJSC Subsidiary Bank of NBP in Tajikistan	100.00	100.00
- NBP Exchange Company Limited, Pakistan	100.00	100.00
- National Bank Modaraba Management Company Limited, Pakistan	100.00	100.00
- First National Bank Modaraba, Pakistan	30.00	30.00
- Taurus Securities Limited, Pakistan	58.32	58.32
- NBP Fund Management Limited, Pakistan	54.00	54.00
- Cast-N-Link Products Limited (Note 10.15.1)	76.51	76.51

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the Ultimate Holding Company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset. Brief profile of the Holding Company and subsidiaries is as follows:

National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,504 (2017: 1,498) branches in Pakistan and 21 (2017: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans scheme.

CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. CJSC conducts its business under license number 252 dated December 27, 2007 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

CJSC Subsidiary Bank of NBP in Tajikistan

CJSC Subsidiary Bank of NBP in Tajikistan (JSCT) is a joint-stock bank, which was incorporated in the Republic of Tajikistan in 2012. JSCT obtained its license on March 20, 2012 and is engaged in providing commercial banking services. The registered office of JSCT is located at 48 Ayni Street, Dushanbe, Republic of Tajikistan.

NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 15 branches (2017: 15 branches).

National Bank Modaraba Management Company Limited, Pakistan

National Bank Modaraba Management Company Limited (NBMMCL) is a public unlisted company, incorporated in Pakistan on August 6, 1992. The purpose of the NBMMCL is to float and manage modaraba funds. NBMMCL at present is managing First National Bank Modaraba. Its registered office is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

First National Bank Modarba, Pakistan

First National Bank Modaraba (the Modaraba) is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed at Pakistan Stock Exchange Limited. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSL) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling, and fund placements. TSL holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited.

NBP Fund Management Limited, Pakistan

NBP Fund Management Limited, Pakistan - NBP Funds, was incorporated in Pakistan as public limited company on August 24, 2005 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NBP Funds are National Bank of Pakistan and Alexandra Fund Management Private Limited (a member of Fullerton Fund Management Group, Singapore). NBP Funds is mainly involved in the business of asset management and investment advisory services. NBP Funds has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry out business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) of the Companies Act, 2017 and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal / registered office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

As at December 31, 2018 NBP Funds is managing the following funds and discretionary portfolio;

	Type of Fund
- NAFA Income Opportunity Fund	Open end Fund
- NAFA Income Fund	Open end Fund
- NAFA Islamic Income Fund	Open end Fund
- NAFA Islamic Asset Allocation Fund	Open end Fund
- NAFA Multi-Asset Fund	Open end Fund
- NAFA Stock Fund	Open end Fund
- NAFA Financial Sector Income Fund	Open end Fund
- NAFA Government Securities Liquid Fund	Open end Fund
- NAFA Savings Plus Fund	Open end Fund
- NAFA Riba-Free Savings Fund	Open end Fund
- NAFA Asset Allocation Fund	Open end Fund
- NAFA Money Market Fund	Open end Fund
- NAFA Pension Fund	Open end Fund
- NAFA Islamic Pension Fund	Open end Fund
- NBP Islamic Principal Protected Fund	Open end Fund
- NAFA Government Securities Savings Fund	Open end Fund
- NAFA Islamic Capital Preservation Fund	Open end Fund
- NAFA Islamic Stock Fund	Open end Fund
- NAFA Active Allocation Riba Free Savings Fund	Open end Fund
- NAFA Islamic Active Allocation Equity Fund	Open end Fund
- NAFA Islamic Active Allocation Fund	Open end Fund
- NAFA Islamic Energy Fund	Open end Fund
- NAFA Islamic Money Market Fund	Open end Fund
- NBP Aitemaad Mahana Amdani Fund	Open end Fund
- NAFA Financial Sector Fund	Open end Fund
- NBP Aitemaad Regular Payment Fund	Open end Fund
- Discretionary Portfolio	



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1.2 BASIS OF CONSOLIDATION

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

2. BASIS OF PRESENTATION

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

Key financial figures of the Islamic banking branches of the Bank have been disclosed in note Annexure-II of these 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. 138.8619 to 1 US Dollar has been used for 2016, 2017 and 2018 as it was the prevalent rate as on December 31, 2018.

3. STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS), issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directive issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP);
- Where the requirements of the Banking Companies Ordinance, 1962, the Companies Acts, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

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

For the year ended December 31, 2018

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

3.4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2018

The following standards, amendments and interpretations are effective for the year ended December 31, 2018. These standards, interpretations and amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

- Amendments to IFRS 2 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions. Effective from accounting period beginning on or after January 01, 2018.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'. Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. Effective from accounting period beginning on or after January 01, 2018.

Certain annual improvements have also been made to a number of IFRSs

3.4.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
IFRS 15 'Revenue from Contracts with Customers'	July 01, 2018 as per directives issued by the SECP
IFRS 16 'Leases'	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely earlier adoption is permitted
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle amendments to:	January 01, 2019
IFRS 3 Business Combinations;	
IFRS 11 Joint Arrangements;	
IAS 12 Income Taxes; and	
IAS 23 Borrowing Costs.	
Amendments to References to the Conceptual Framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 01, 2020

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

3.4.4 The management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The management anticipates that IFRS 9, IFRS 15 and IFRS 16 will be adopted in the Group's consolidated financial statements in the future periods. The application of IFRS 15, IFRS 9 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of non mark-up / interest income, the Group's financial assets and financial liabilities and its leases respectively.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

4. BASIS OF MEASUREMENT

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted are consistent in preparation of these consolidated financial statement with those of the previous financial year except as disclosed in note 6 of the notes to consolidated financial statements.

5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the bank, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the bank in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss account.

5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

5.3 Cash and cash equivalents

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

5.4 Investments

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

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

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

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 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.

Previously, the Group's accounting policy for surplus / (deficit) on revaluation of available-for-sale securities was in accordance with the requirement of the repealed Companies Ordinance, 1984 to present the surplus / (deficit) on revaluation of available-for-sale securities as a separate item below equity which has not been carried forward in the Companies Act, 2017. Accordingly, the surplus / (deficit) on revaluation of available-for-sale investment would now be presented under equity.

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

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

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

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

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

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

5.5 Repurchase and resale agreements

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

5.6 Derivative financial instruments

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

5.7 Financial instruments

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

5.8 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances by the banks) for classification of non-performing loans and advances and computing provision / allowance there against. Such regulations also require the Group to maintain general provision / allowance against consumer and SME advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.

5.9 Fixed assets and depreciation

5.9.1 Property and equipment

5.9.1.1 Owned assets

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

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

5.9.1.2 Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

5.9.1.3 Ijarah (as lessor)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

5.9.2 Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

5.9.3 Impairment

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

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

5.10 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 13. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.

5.11 Non-banking assets acquired in satisfaction of claims

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

5.12 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

5.13 Taxation

5.13.1 Current

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

5.13.2 Deferred

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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

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

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

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

5.14 Employee benefits

5.14.1 Defined benefit plans

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

5.14.2 Other employee benefits

Employees' compensated absences

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

5.14.3 Defined contribution plan

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

5.14.4 Retirement and other benefit obligations -

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

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

5.15 Revenue recognition

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

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

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

The Group follows the 'financing method' in accounting for recognition of finance lease. At the commencement of a lease, the total unearned finance income i.e. the excess of aggregate installment contract receivables plus residual value over the cost of the leased asset is amortized over the term of the lease, applying the annuity method, so as to produce a constant periodic rate of return on the net investment in finance leases. Initial direct costs are deferred and amortized over the lease term as a yield adjustment.

Processing, front end and commitment fees and commission are recognized as income when received.

Rental income from operating leases / Ijarah is recognized on a straight-line basis over the term of the relevant lease.

Profit on trading and revaluation of financial instruments is recognised on trade date basis and is taken to profit and loss account.

5.16 Net investment in lease finance

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

5.17 Foreign currencies translation

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

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

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

Items included in the consolidated financial statements of the Group's foreign branches and subsidiaries are measured using the currency of the primary economic environment in which the Group operates (the functional currency).

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

5.18 Provision for off balance sheet obligations

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

5.19 Off setting

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

5.20 Fiduciary assets

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

5.21 Dividend and other appropriations

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

5.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2018.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

5.23 Related party transactions

Transactions between the Group and its related parties are carried out on an arm's length basis other than pension fund and other staff loans.

5.24 Segment reporting

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team, which is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between business segments are conducted on an arm's-length basis. Income and expenses directly associated with each segment are included in determining business segment performance.

Business segments

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

- I. **Commercial and Retail Banking** consists of loans, deposits and other banking services to individuals, agriculture, consumers, SME and commercial customers.
- II. **Corporate Banking** consists of lending for project finance, trade finance and working capital to corporate customers.
- III. **Treasury** consists of proprietary trading, fixed income, equity, derivatives and foreign exchange business. Also includes credit, lending and funding activities with professional market counterparties.
- IV. **International Banking** is considered as a separate segment for monitoring and reporting purpose and consists of the Bank's operations outside of Pakistan.
- V. **Aitemaad Islamic Banking**; for monitoring and reporting purpose Islamic Banking has also been reported separately as a separate business segment.
- VI. **Head Office / Others** includes corporate items and business results not shown separately in one of the above segment.

Geographical segments

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

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

5.25 Accounting estimates and judgments

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

a) Provision against non-performing advances

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

b) Fair value of derivatives

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

c) Impairment of Available-for-sale investments

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

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

d) Held-to-maturity investments

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

e) Income taxes

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

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

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

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

g) Employee benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 38. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

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

i) Determination of control over investees

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

6. CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, Section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the requirements of IFRS. Accordingly, in accordance with the requirements of International Accounting Standard (IAS)-16 Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Group's policy for surplus on revaluation of fixed assets stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and building are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit and loss account, the increase is first recognised in profit and loss account. Decreases that reverse previous increases of asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit and loss account. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit and loss account and depreciation based on the asset's original cost, net of tax, is reclassified from the surplus on revaluation of fixed assets to unappropriated profit.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 Accounting policies, Changes in Accounting Estimates and Errors and comparative figures have been restated.

	As at December 31, 2017			As at December 31, 2016		
	As previously reported	Restatement	As restated	As previously reported	Restatement	As restated
	Rupees in '000					
Effect on statement of financial position						
Surplus on revaluation of assets - net	49,632,435	(49,632,435)	-	56,299,136	(56,299,136)	-
Equity	130,043,279	49,632,435	179,675,714	123,839,530	56,299,136	180,138,666
Effect on statement of changes in equity						
Surplus on revaluation of assets - net	-	49,632,435	49,632,435	-	56,299,136	56,299,136

7. CASH AND BALANCES WITH TREASURY BANKS

	Note	2018	2017
		Rupees in '000	
In hand			
Local currency		39,696,873	29,201,212
Foreign currency		4,661,530	3,775,134
		44,358,402	32,976,346
With State Bank of Pakistan in			
Local currency current account	7.1	130,186,419	89,111,057
Foreign currency current account	7.2	7,029,780	4,872,088
Foreign currency deposit account	7.2	21,240,971	14,580,863
Foreign currency collection account		1,812,339	933,308
		160,269,509	109,497,316
With other central banks in			
Foreign currency current account	7.3	41,438,832	17,019,562
Foreign currency deposit account	7.3	1,455,866	587,511
		42,894,698	17,607,073
Prize bonds		394,812	324,348
		247,917,421	160,405,083

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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 0.75% per annum (2017: 0% to 1.5% per annum).

	Note	2018	2017
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		25,813	7,444
In deposit account	8.1	155,631	3,195,723
		181,444	3,203,167
Outside Pakistan			
In current account		7,107,914	7,838,280
In deposit account	8.2	5,760,367	15,950,832
		12,868,281	23,789,112
		13,049,725	26,992,279

8.1 These include various deposits with banks and carry interest at rates ranging from 4% to 9.25% per annum (2017: 3.16% to 5.9% per annum).

8.2 These include various deposits with correspondent banks and carry interest at rates ranging from 0% to 2.16% per annum (2017: 0% to 4.1% per annum).

	Note	2018	2017
Rupees in '000			
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	8,240,800	1,540,800
Repurchase agreement lendings (Reverse Repo)	9.2	96,733,168	25,373,963
Bai Muajjal receivable with State Bank of Pakistan	9.3	1,417,699	-
Letters of placement	9.4	176,150	177,500
	9.5	106,567,817	27,092,263
Less: provision held against lending to financial institutions	9.6	(176,150)	(176,150)
Lendings to financial institutions - net of provision		106,391,667	26,916,113

9.1 This includes zero rate lendings to a financial institution Rs. 40.8 million (2017: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 8.45% to 10.41% per annum (2017: 5.7% to 6.05% per annum) with maturities ranging from January 2, 2019 to January 14, 2019.

9.3 This represents Bai Muajjal agreement entered into with SBP and carries mark-up rate of 6.33% per annum.

9.4 These are overdue placements and full provision has been made against these placements as at December 31, 2018.

	Note	2018	2017
Rupees in '000			
9.5 Particulars of lending			
In local currency		106,567,817	27,092,263
In foreign currencies		-	-
		106,567,817	27,092,263
9.6 Movement in provision held against lendings is as follows:			
Opening balance		176,150	173,500
Charge for the year		-	-
Others		-	2,650
Closing balance		176,150	176,150



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

9.7 Securities held as collateral against lending to financial institutions

	2018			2017		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	70,283,168	-	70,283,168	21,873,963	-	21,873,963
Pakistan Investment Bonds	26,450,000	-	26,450,000	3,500,000	-	3,500,000
Total	96,733,168	-	96,733,168	25,373,963	-	25,373,963

9.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 95,739 million (2017: Rs. 25,401 million).

9.8 Category of classification

	2018		2017	
	Classified Lending	Provision held	Classified Lending	Provision held
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	176,150	176,150	176,150	176,150
	176,150	176,150	176,150	176,150
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	176,150	176,150	176,150	176,150



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

10. INVESTMENTS	2018						2017						
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	
10.1 Investments by type:	Rupees in '000												
Held-for-trading securities													
Market Treasury Bills	149,885,647	-	(973)	149,884,674	683,941,098	-	-	683,941,098	683,941,098	-	(12,065)	683,929,033	
Pakistan Investment Bonds	2,333,574	-	(67)	2,333,507	2,638,247	-	-	2,638,247	2,638,247	-	(1,764)	2,636,483	
Ordinary shares of listed companies	158,277	-	197	158,474	67,244	-	-	67,244	67,244	-	156	67,400	
Investment In mutual funds	404,747	-	(21,181)	383,566	316,131	-	-	316,131	316,131	-	23,990	340,121	
Foreign Government Securities	971,052	-	-	971,052	-	-	-	-	-	-	-	-	
	153,753,297	-	(22,024)	153,731,274	686,962,720	-	-	686,962,720	686,962,720	-	10,317	686,973,036	
Available-for-sale securities													
Market Treasury Bills	592,215,863	-	(28,707)	592,187,156	138,558,842	-	-	138,558,842	138,558,842	-	(1,673)	138,557,169	
Pakistan Investment Bonds	207,581,489	-	(12,318,101)	195,263,388	132,597,777	-	-	132,597,777	132,597,777	-	955,324	133,553,101	
Ijarah Sukuks	9,789,374	-	(56,116)	9,733,258	11,123,387	-	-	11,123,387	11,123,387	-	69,927	11,193,314	
Ordinary shares of listed companies	26,042,551	(3,978,334)	17,017,036	39,081,253	23,238,801	(2,679,146)	(2,679,146)	24,607,219	23,238,801	24,607,219	-	45,166,874	
Ordinary shares of unlisted companies	2,005,182	(410,893)	-	1,594,289	1,381,912	(398,923)	(398,923)	982,989	1,381,912	-	(4,774)	982,989	
Preference shares	570,535	(433,444)	(11,155)	125,936	556,944	(433,444)	(433,444)	118,726	556,944	(433,444)	-	118,726	
Term Finance Certificates / Musharika and Sukuk Bonds	58,787,773	(4,761,669)	2,264,936	56,291,040	53,541,406	(5,925,187)	(5,925,187)	47,674,583	53,541,406	58,364	58,364	47,674,583	
GoP Foreign Currency Bonds	25,462,626	-	(515,692)	24,946,934	16,823,587	-	-	16,823,587	16,823,587	338,008	338,008	17,161,595	
Foreign Government Securities	968,567	-	(148,117)	820,450	548,752	-	-	548,752	548,752	(178)	(178)	548,574	
Foreign Currency Debt Securities	1,551,903	-	(94,342)	1,457,561	1,612,104	-	-	1,612,104	1,612,104	17,814	17,814	1,629,918	
Investments in mutual funds	819,646	(40,642)	1,248,405	2,027,408	1,149,646	(36,001)	(36,001)	1,113,645	1,149,646	1,591,407	1,591,407	2,705,052	
Ordinary shares of a bank outside Pakistan	463,295	-	15,570,989	16,034,284	463,295	-	-	463,295	463,295	10,843,713	10,843,713	11,307,008	
	926,258,804	(9,624,982)	22,929,135	939,562,957	381,596,455	(9,472,701)	(9,472,701)	381,596,455	381,596,455	38,475,151	38,475,151	410,598,903	
Held-to-maturity securities													
Market Treasury Bills	69,967	-	-	69,967	148,246	-	-	148,246	148,246	-	-	148,246	
Pakistan Investment Bonds	157,492,035	-	-	157,492,035	169,476,489	-	-	169,476,489	169,476,489	-	-	169,476,489	
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	696,956	(412,384)	-	284,572	710,713	(424,833)	(424,833)	284,572	710,713	-	-	285,880	
GoP Foreign Currency Bonds	2,859,233	-	-	2,859,233	2,309,720	-	-	2,309,720	2,309,720	-	-	2,309,720	
Foreign Government Securities	25,866,066	-	-	25,866,066	21,173,206	-	-	21,173,206	21,173,206	-	-	21,173,206	
Foreign Currency Debt Securities	532	-	-	532	424	-	-	424	424	-	-	424	
	186,984,789	(412,384)	-	186,572,405	193,818,798	(424,833)	(424,833)	193,818,798	193,818,798	-	-	193,393,965	
Associates	1,190,599	(626,069)	-	564,531	1,227,086	(622,531)	(622,531)	604,555	1,227,086	-	-	604,555	
Joint Venture	4,543,339	-	-	4,543,339	4,966,604	-	-	4,966,604	4,966,604	-	-	4,966,604	
Subsidiaries	1,245	(1,245)	-	-	1,245	(1,245)	(1,245)	-	1,245	-	-	-	
Total Investments	1,272,732,074	(10,664,680)	22,907,111	1,284,974,506	1,268,572,906	(10,521,310)	(10,521,310)	1,296,537,064	1,268,572,906	38,485,468	38,485,468	1,296,537,064	

Note

10.13/10.14

10.7

10.9/10.10

10.12

10.15



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

10.2 Investments by segments:	2018						2017					
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
Rupees in '000												
Federal Government Securities:												
Market Treasury Bills	742,171,477	-	(29,680)	742,141,797	822,648,186	-	-	-	822,648,186	-	(13,738)	822,634,447
Pakistan Investment Bonds	367,407,098	-	(12,318,168)	355,088,930	304,712,513	-	-	-	304,712,513	-	953,560	305,666,073
Ijarah Sukuks	9,789,374	-	(56,116)	9,733,258	11,123,387	-	-	-	11,123,387	-	69,927	11,193,314
GoP Foreign Currency Bonds	28,321,859	-	(515,692)	27,806,167	19,133,307	-	-	-	19,133,307	-	338,008	19,471,315
	1,147,689,808	-	(12,919,656)	1,134,770,152	1,157,617,393	-	-	-	1,157,617,393	-	1,347,757	1,158,965,150
Provincial Government Securities												
	-	-	-	-	-	-	-	-	-	-	-	-
Shares:												
10.13/10.14 Listed Companies	26,200,828	(3,978,334)	17,017,233	39,239,727	23,306,045	(2,679,146)	24,607,375	45,234,274	23,306,045	(2,679,146)	24,607,375	45,234,274
Unlisted Companies	2,005,182	(410,893)	-	1,594,289	1,381,912	-	-	982,989	1,381,912	(398,923)	-	982,989
	28,206,010	(4,389,226)	17,017,233	40,834,016	24,687,957	-	24,607,375	46,217,263	24,687,957	(3,078,069)	24,607,375	46,217,263
Non Government Debt Securities												
Listed	7,611,767	(51,719)	-	7,560,048	6,045,067	(51,719)	-	5,993,348	6,045,067	(51,719)	-	5,993,348
Unlisted	51,872,962	(5,122,334)	2,264,936	49,015,564	48,207,052	(6,298,301)	58,364	41,967,115	48,207,052	(6,298,301)	58,364	41,967,115
	59,484,729	(5,174,053)	2,264,936	56,575,612	54,252,119	(6,350,020)	58,364	47,960,463	54,252,119	(6,350,020)	58,364	47,960,463
Foreign Securities												
Foreign Government Securities	27,805,685	-	(148,117)	27,657,568	21,721,958	-	(178)	21,721,780	21,721,958	-	(178)	21,721,780
Foreign Currency Debt Securities	1,552,435	-	(94,342)	1,458,093	1,612,528	-	17,814	1,630,342	1,612,528	-	17,814	1,630,342
	29,358,120	-	(242,259)	29,115,861	23,334,486	-	17,636	23,352,122	23,334,486	-	17,636	23,352,122
Preference shares	570,535	(433,444)	(11,155)	125,936	556,944	(433,444)	(4,774)	118,726	556,944	(433,444)	(4,774)	118,726
Investments in mutual funds	1,224,393	(40,642)	1,227,224	2,410,974	1,465,777	(36,001)	1,615,397	3,045,173	1,465,777	(36,001)	1,615,397	3,045,173
Ordinary shares of a bank outside Pakistan	463,295	-	15,570,989	16,034,284	463,295	-	10,843,713	11,307,008	463,295	-	10,843,713	11,307,008
Associates -Listed												
First Credit and Investment Bank Limited	208,760	(106,429)	-	102,331	205,974	(106,430)	-	99,544	205,974	(106,430)	-	99,544
Land Mark Spinning Mills Limited	39,710	(39,710)	-	-	39,710	(39,710)	-	-	39,710	(39,710)	-	-
S.G. Fibres Limited	218,534	(218,534)	-	-	218,534	(218,534)	-	-	218,534	(218,534)	-	-
Nina Industries Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-	49,060	(49,060)	-	-
Agriotech Limited	-	-	-	-	-	-	-	-	-	-	-	-
NAFA Stock Fund	434,010	-	-	434,010	473,284	-	-	473,284	473,284	-	-	473,284
	950,074	(413,733)	-	536,341	986,562	(413,734)	-	572,828	986,562	(413,734)	-	572,828

Note



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

	2018				2017			
	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	44,815	(16,627)	-	28,188	44,815	(16,627)	-	28,188
Dadaboy Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(103,000)	-	3,539
	240,524	(212,336)	-	28,188	240,524	(208,797)	-	31,727
10.11	1,190,599	(626,069)	-	564,531	1,227,086	(622,531)	-	604,555
10.10								
Joint Venture								
United National Bank Limited	4,543,339	-	-	4,543,339	4,966,604	-	-	4,966,604
10.12								
Subsidiaries								
CashLink Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
10.15								
Total Investments	1,272,732,074	(10,664,680)	22,907,111	1,284,974,506	1,268,572,906	(10,521,310)	38,485,468	1,296,537,064

10.2.1 Investments given as collateral

	2018	2017
	Rupees in '000	
Pakistan Investment Bonds	9,500,000	7,700,000
Market Treasury Bills	274,350,000	311,339,019
	<u>283,850,000</u>	<u>319,039,019</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

comprehensive	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total income
10.2.2.2 Associates Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2018	1,327,362	605,113	102,649	9,190	6,323
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2018	176,793	239,102	-	(56,526)	53,209
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2018	577,584	430,276	4,168	(5,598)	7,688
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
AgriTech Limited	106,014,565	26.95	Pakistan	December 31, 2016	47,904,596	43,497,929	8,238,583	(2,308,925)	(2,318,005)
NAFA Stock Fund	31,347,444	3.02	Pakistan	June 30, 2018	15,224,508	240,568	(1,288,614)	(1,778,166)	(1,778,166)
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2018	88,385,262	75,810,898	2,048,169	(742,553)	(2,191,828)
10.2.4 Subsidiaries									
Cost+Link Products Limited	1,245,000	76.51	Pakistan	-	-	-	-	-	-
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2018	1,369	345	-	(445)	(445)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2017	625,298	4,051	32,177	7,665	7,290
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhai Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2018	2,343,392	2,381,107	264,608	41,113	41,113
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
10.3 Provision for diminution in value of investments		
Opening balance	10,521,310	14,467,703
Exchange adjustments	-	-
Charge / reversals		
Charge for the year	1,514,109	704,177
Reversals for the year	(1,370,739)	(3,281,087)
	143,370	(2,576,910)
Transfers - net	-	(1,004,153)
Other transfers	-	(5,643)
Others	-	(359,687)
Closing Balance	<u>10,664,680</u>	<u>10,521,310</u>

10.3.1 Particulars of provision against debt securities

Category of classification

	2018		2017	
	NPI	Provision	NPI	Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	5,182,817	5,174,053	6,417,651	6,350,020
	<u>5,182,817</u>	<u>5,174,053</u>	<u>6,417,651</u>	<u>6,350,020</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	<u>5,182,817</u>	<u>5,174,053</u>	<u>6,417,651</u>	<u>6,350,020</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

10.4 Movement Schedule for Associates and Joint Venture

	2018								
	Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus (deficit) on revaluation properties	Surplus (deficit) on revaluation securities	Closing balance
Joint Venture									
United National Bank Limited	4,966,604	-	-	-	(334,149)	563,057	-	(652,174)	4,543,339
	4,966,604	-	-	-	(334,149)	563,057	-	(652,174)	4,543,339
Associates									
Unlisted									
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	44,815
Dadabhoj Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	106,539
Listed									
First Credit and Investment Bank Limited	205,974	-	-	-	3,915	-	-	(1,130)	208,760
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710
S.G. Fibres Limited	218,534	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-
NAFA Stock Fund	473,284	-	-	-	(39,274)	-	-	-	434,010
	1,227,086	-	-	-	(35,359)	-	-	(1,130)	1,190,599

Rupees in '000



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2017									
	Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus (deficit) on revaluation properties	Surplus (deficit) on revaluation securities	Closing balance	
	Rupees in '000									
Joint Venture										
United National Bank Limited	4,306,138	-	-	(134,870)	1,709	415,500	-	378,128	4,966,604	
Associates	4,306,138	-	-	(134,870)	1,709	415,500	-	378,128	4,966,604	
Unlisted										
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	50,565	
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500	
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	44,815	
Dadabhoj Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105	
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	106,539	
Listed										
First Credit and Investment Bank Limited	206,172	-	-	-	2,727	-	-	(2,925)	205,974	
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710	
S.G. Fibres Limited	218,534	-	-	-	-	-	-	-	218,534	
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060	
Agritech Limited	477,806	8,472	-	-	(486,278)	-	-	-	-	
NAFA Stock Fund	-	600,000	-	(46,109)	(28,870)	-	-	(51,737)	473,284	
	1,231,806	608,472	-	(46,109)	(512,422)	-	-	(54,662)	1,227,086	



Notes to the Consolidated Financial Statements

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10.5 Quality of Available for Sale Securities

Details regarding quality of available for sale securities are as follows

	2018	2017
	Rupees in '000	
	Cost	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	592,215,863	138,558,842
Pakistan Investment Bonds	207,581,489	132,597,777
Ijarah Sukuks	9,789,374	11,123,387
	<u>809,586,726</u>	<u>282,280,006</u>
Shares		
Listed Companies sector-wise		
Automobile Assembler	78,753	-
Automobile Parts & Accessories	848,644	723,006
Cable and Electrical Goods	235,374	95,324
Cement	1,976,437	892,657
Chemical	297,650	332,023
Commercial Banks	2,915,297	2,343,998
Engineering	680,678	346,353
Fertilizer	1,716,509	1,534,852
Food and Personal Care	1,347,825	1,315,825
Glass and Ceramics	73,016	109,674
Insurance	1,015,885	930,801
Investment Banks / Investment companies / Securities companies	223,376	188,340
Leasing Companies	21,891	21,891
Leather and Tanneries	215,712	215,712
Miscellaneous	86,486	86,486
Modarabas	120	120
Oil and Gas Exploration Companies	520,332	594,591
Oil and Gas Marketing Companies	5,794,620	5,871,570
Paper and Board	299,373	250,446
Pharmaceuticals	465,244	378,855
Power Generation and Distribution	2,791,685	2,934,944
Real Estate Investment Trust	583,581	577,163
Refinery	1,253,494	1,276,375
Sugar and Allied Industries	288,527	288,527
Synthetic and Rayon	91,980	91,980
Technology and Communication	950,961	950,961
Textile Composite	690,218	503,771
Textile Spinning	514,186	349,525
Transport	32,385	32,385
Vanaspati and Allied Industries	31,665	-
Woolen	647	647
	<u>26,042,551</u>	<u>23,238,801</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted Companies				
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
JDM Textile Mills Limited	4,784	331,931	4,784	308,584
Gelcaps Pakistan Limited	4,665	25,340	4,665	25,340
Pakistan Agriculture Storage Service Corporation (Face value: Rs. 1,000 each)	5,500	109,831	5,500	109,831
Resources and Engineering Management Corporation (Private) Limited	-	(484,696)	-	(484,696)
Sigma Knitting Mills (Private) Limited	-	(6,793)	-	(6,793)
Al Ameen Textile	328	N/A	328	N/A
Al Zamin Modarba Management (Private) Limited	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	122	N/A	122	N/A
Arabian Sea Country Club	6,500	N/A	6,500	N/A
Atlas Power Limited	375,000	822,501	375,000	805,365
Attock Textile Mills Limited	200	(1,412)	200	(1,412)
Bankers Equity Limited	-	5,646	-	5,646
Bunny's Limited	235,200	128,556	235,200	126,273
Pakistan Mortgage Refinance Company Limited	600,000	400,950	26,730	400,950
Dadabhoy Leasing Company Limited	-	2,327	-	2,327
F.T.C. Management Company Private Limited	250	34,657	250	34,657
Fauji Akbar Portia Marines Terminal Limited	321,076	171,350	321,076	212,867
Fauji Oil Terminals and Distribution Limited	10,886	45,199	10,886	36,519
First Women Bank Limited	21,100	71,946	21,100	86,234
Fortune Securities Limited	5,000	8,975	5,000	8,334
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
Insecta Pakistan Limited	-	315	-	315
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	36,058	30,346	36,286
Junaid Cotton Mills Limited	328	N/A	328	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Film Development Corporation Limited	-	(1,825)	-	(1,825)
National Institution of Facilitation Technology (Private) Limited	1,526	71,187	1,526	28,030
National Investment Trust Limited	100	1,796	100	1,796
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted Companies				
Newyork Poly Clinic of Karachi	-	(241)	-	(241)
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	21,800
Pakistan Tourism Development Corporation	100	24,983	100	24,983
People Steel Mills Limited	3,276	N/A	3,276	N/A
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,958	107,895	16,958	107,895
Rishabh Metals & Chemicals Private Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,175,636	132,888	1,754,374
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Ind.	2	N/A	2	N/A
Transmobile Limited	-	(44)	-	(44)
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A
Zulsham Engineering Works Limited	330	N/A	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Guarantee) Ltd	50,000	N/A	-	N/A
	<u>2,005,182</u>		<u>1,381,912</u>	

	2018	2017
	Rupees in '000	
Debt Securities		
Listed		
- AAA	1,897,847	2,232,310
- AA+, AA, AA-	4,472,877	2,072,442
- A+, A, A-	419,073	419,161
- Unrated	9,326,145	12,731,877
	<u>16,115,942</u>	<u>17,455,790</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
	Cost	
Unlisted		
- AAA	5,805,117	6,004,045
- A+, A, A-	495,299	324,782
- Unrated	36,371,414	29,756,789
	<u>42,671,831</u>	<u>36,085,616</u>

	2018		2017	
	Cost	Rating	Cost	Rating
	Rupees in '000			
Foreign Securities				
Government Securities				
USA	<u>968,567</u>	<u>AA+</u>	<u>548,752</u>	<u>AA+</u>

	2018	2017
	Rupees in '000	
	Cost	
Non Government Debt Securities		
Listed		
- BBB+, BBB, BBB-	<u>1,551,903</u>	<u>1,612,104</u>

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

Federal Government Securities - Government guaranteed

Market Treasury Bills	69,967	148,246
Pakistan Investment Bonds	157,492,035	169,476,489
	<u>157,562,002</u>	<u>169,624,735</u>
Debt securities		
Listed		
- AA+, AA, AA-	<u>27,948</u>	<u>27,948</u>
Unlisted		
- A+, A, A-	100,000	100,000
- Unrated	569,008	582,765
	<u>669,008</u>	<u>682,765</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

Foreign Securities

	2018		2017	
	Cost	Rating	Cost	Rating
Rupees in '000				
Government Securities				
Azerbaijan	568,321	BB+	456,013	BB-
Bangladesh	22,116,609	BB-	18,044,077	Ba3
Kyrgyzstan	1,115,602	B2	795,905	B2
Kingdom of Saudi Arabia	2,065,534	A+	1,646,220	A+
Tajikistan	-	-	230,991	Unrated
	<u>25,866,066</u>		<u>21,173,206</u>	
2018 2017				
Rupees in '000				
Cost				
Non Government Debt Securities				
Listed				
- Unrated		<u>532</u>	<u>424</u>	

10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 172,378 million (2017: Rs. 195,360 million).

10.7 Investment in shares of company incorporated outside Pakistan - Bank Al-Jazira

The Group holds 30,333,333 (2017: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2017: 5.83%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.8 The 94,273,510 (2017: 94,273,510) shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2018 amounted to Rs. 4.70 per share resulting in an impairment of Rs. 3,167 million (2017: Rs. 3,149 million) which has been fully recorded in these consolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Group at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

10.9 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,267 million (2017: Rs. 888 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:



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Year / Period ended	Break-up value Rupees in '000
National Assets Insurance Limited	December 31, 2017	55,682
Pakistan Emerging Venture Limited	June 30, 2018	341
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, 2018	(12,815)

	Note	2018 Rupees in '000	2017 Rupees in '000
10.12 Investment in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	<u>4,543,339</u>	<u>4,966,604</u>

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

10.13 The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2017: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

10.14 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (31,712,706 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2018 amounts to Rs. 8,618 million. These shares can not be sold without concurrence of privatization commission.

	Note	2018 Rupees in '000	2017 Rupees in '000
10.15 Investments in subsidiaries			
Cast-N-Link Products Limited	10.15.1	1,245	1,245
Less: provision for diminution in value of investments		<u>(1,245)</u>	<u>(1,245)</u>
		<u>-</u>	<u>-</u>

10.15.1 The consolidated 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/233/627/2002-291 dated November 27, 2018, based on the fact that investment of the Group in CNL is not material and comprise of 0.000050% of the total assets of the Bank and the investment have been fully provided for, granted the exemption from consolidation of CNL in its consolidated financial statements for the year ended December 31, 2018.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

11. ADVANCES

Note	Performing		Non Performing		Total
	2018	2017	2018	2017	
	Rupees in '000				
Loans, cash credits, running finances, etc.	879,848,642	697,014,917	128,064,393	116,152,512	1,007,913,034
Islamic financing and related assets	26,741,733	18,946,404	364,825	191,794	27,106,558
Net Investment in finance lease	80,543	439,053	53,048	177,201	133,591
Bills discounted and purchased	19,294,694	19,866,080	6,068,698	5,419,816	25,363,392
Advances - gross	925,965,612	736,266,454	134,550,963	121,941,324	1,060,516,575
Provision against advances	-	-	126,969,680	111,347,775	126,969,680
- Specific	7,207,106	6,515,067	-	-	7,207,106
- General	7,207,106	6,515,067	126,969,680	111,347,775	134,176,786
Advances - net of provision	918,758,506	729,751,387	7,581,283	10,593,550	926,339,789

11.1 Net Investment in Finance Lease

	2018		2017		Total
	Later than one and less than five years	Over five years	Not later than one years	Later than one and less than five years	
	Rupees in '000				
Lease rentals receivable	79,987	27,840	386,793	171,107	557,900
Residual value	43,479	16,477	87,997	74,347	162,344
Minimum lease payments	123,465	44,317	474,789	245,454	720,243
Financial charges for future periods	31,680	2,510	88,992	14,997	103,989
Present value of minimum lease payments	91,785	41,807	385,797	230,457	616,254

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time disbursement. The group requires the lessee to insure the leased assets in favour of the group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.47% (2017: 9.16% to 11.64%) per annum.

11.2 Particulars of advances (Gross)

	2018	2017
	Rupees in '000	
In local currency	969,830,010	778,971,965
In foreign currencies	90,686,565	79,235,812
	<u>1,060,516,575</u>	<u>858,207,777</u>



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

11.3 Advances include Rs. 134,551 million (2017: Rs. 121,941 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	1,281,567	64,543	1,279,934	44,589
Substandard	3,783,451	923,008	5,623,565	1,348,968
Doubtful	1,448,149	689,033	2,494,799	1,181,602
Loss	88,113,131	86,856,965	80,102,779	77,602,772
	94,626,299	88,533,549	89,501,077	80,177,931
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	67,479	13,883
181 to 365 days	733,217	355,579	477,229	143,759
> 365 days	39,191,446	38,080,551	31,895,539	31,012,202
	39,924,663	38,436,130	32,440,247	31,169,844
Total	134,550,963	126,969,680	121,941,324	111,347,775

11.4 Particulars of provision against advances

Note	2018		2017	
	Specific	General	Specific	General
	Rupees in '000			
Opening balance	111,347,775	6,515,068	117,862,843	4,431,207
Exchange adjustments	7,701,151	111,207	7,812,358	15,534
Charge for the year	14,178,781	1,330,247	15,509,029	2,558,971
Reversals	(5,987,047)	(749,416)	(6,736,463)	(490,644)
	8,191,734	580,831	8,772,565	2,068,327
Amounts written off	(12,118)	-	(12,118)	-
Amounts charged off - agriculture financing	(261,281)	-	(261,281)	-
Transfer to investments	-	-	-	-
Transfer from investments	-	-	-	-
Other transfer	-	-	1,004,153	-
Other adjustments	2,419	-	(44,875)	-
Closing balance	126,969,680	7,207,106	134,176,786	6,515,068

11.4.1 Particulars of provision against advances

	2018		2017	
	Specific	General	Specific	General
	Rupees in '000			
In local currency	88,533,549	6,949,252	95,482,801	6,065,672
In foreign currencies	38,436,131	257,851	38,693,982	449,396
	126,969,680	7,207,106	134,176,786	6,515,068



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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

The Group has also maintained general provision of Rs. 2,500 million (2017: Rs. 1,700 million) in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2018.

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

	Note	2018 Rupees in '000	2017
11.5 Particulars of write-offs			
11.5.1 Against provisions	11.5.2	12,118	899
		12,118	899
11.5.2 Write Offs of Rs. 500,000 and above			
- Domestic	11.6	1,835	875
- Overseas		-	-
Write offs of below Rs. 500,000		10,283	24
		12,118	899
11.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE			

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

12. FIXED ASSETS

	Note	2018 Rupees in '000	2017
Capital work-in-progress	12.1	1,934,605	1,823,691
Property and equipment	12.2	52,404,071	30,848,109
		54,338,676	32,671,800
12.1 Capital work-in-progress			
Civil works		1,863,208	1,757,201
Equipment		15,884	19,468
Advances to suppliers and contractors		55,513	47,022
		1,934,605	1,823,691



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

12.2 Property and equipment

	2018											Total	
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under lease - Machinery	Assets held under lease - Vehicle		
At January 1, 2018													
Cost / revalued amount	11,209,212	10,380,661	3,038,553	2,924,333	4,455,020	3,790,289	4,606,682	1,180,618	250,271	950	259,577	492,614	42,588,779
Accumulated depreciation	-	-	(555,423)	(467,128)	(2,781,536)	(3,326,294)	(3,498,396)	(333,163)	(204,088)	(821)	(174,502)	(399,319)	(11,740,670)
Net book value	11,209,212	10,380,661	2,483,130	2,457,205	1,673,484	463,995	1,108,286	847,455	46,183	129	85,075	93,295	30,848,109
Year ended December 2018													
Opening net book value	11,209,212	10,380,661	2,483,130	2,457,205	1,673,484	463,995	1,108,286	847,455	46,183	129	85,075	93,295	30,848,109
Additions	-	-	4,307	23,514	790,005	313,945	602,224	380,150	101,529	9,628	-	-	2,225,302
Movement in surplus on assets revalued	8,917,543	8,304,090	3,425,617	939,428	-	-	-	-	-	-	-	-	21,586,678
Disposals - cost	(17,874)	-	(1,218)	(1,107)	(8,401)	(5,656)	(15,809)	(269,493)	(31,734)	-	(78,384)	(182,897)	(612,573)
Depreciation charge	-	-	(107,313)	(97,852)	(620,252)	(443,035)	(520,762)	(324,143)	(18,407)	(592)	(8,562)	(19,792)	(2,160,709)
Depreciation adjustment - disposal	-	-	-	876	6,867	5,212	5,035	190,479	22,887	-	61,344	143,137	435,837
Exchange rate adjustments	-	-	-	80,203	-	-	-	-	-	-	-	-	80,203
Other adjustments / transfers - cost	-	-	-	-	380	204	573	443	-	-	(81,153)	-	(79,553)
Other adjustments / transfers - depreciation	-	-	-	-	(117)	(166)	92	(187)	-	-	81,154	-	80,776
Closing net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
At December 31, 2018													
Cost / revalued amount	20,108,882	18,684,751	6,467,259	3,966,370	5,237,005	4,098,782	5,193,669	1,291,719	320,066	10,578	100,040	309,717	65,788,836
Accumulated depreciation	-	-	(662,736)	(564,104)	(3,395,037)	(3,764,282)	(4,014,031)	(467,014)	(199,608)	(1,413)	(40,566)	(275,974)	(13,384,765)
Net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
Rate of depreciation [percentage]	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on book value	25% to 33% on cost	20% on book value	20% on book value



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2017

	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 lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Machinery	Assets held under Vehicle	Total
At January 1, 2017													
Cost / revalued amount	11,209,437	10,377,666	3,018,670	2,843,073	3,889,350	3,437,667	4,037,468	1,010,247	249,881	1,850	465,926	600,027	41,141,261
Accumulated depreciation	-	-	(432,873)	(354,383)	(2,216,427)	(2,962,389)	(2,946,292)	(300,377)	(175,018)	(1,375)	(284,600)	(404,832)	(10,078,565)
Net book value	11,209,437	10,377,666	2,585,797	2,488,690	1,672,924	475,278	1,091,176	709,870	74,863	475	181,326	195,195	31,062,696
Year ended December 2017													
Opening net book value	11,209,437	10,377,666	2,585,797	2,488,690	1,672,924	475,278	1,091,176	709,870	74,863	475	181,326	195,195	31,062,696
Additions	-	2,995	19,883	87,455	581,618	358,691	576,150	445,470	23,411	-	-	-	2,095,674
Disposals - cost	-	-	-	(6,195)	(15,238)	(1,852)	(3,289)	(264,389)	(22,610)	(900)	(287,502)	(97,425)	(699,400)
Depreciation charge	-	-	(122,550)	(114,368)	(574,384)	(368,607)	(556,452)	(278,797)	(44,327)	(168)	(11,748)	(58,391)	(2,129,792)
Depreciation adjustment - disposal	-	-	-	1,623	8,822	1,796	1,322	242,640	15,257	722	203,000	55,307	530,489
Other adjustments / transfers - cost	(225)	-	-	-	(710)	(4,218)	(3,647)	(10,710)	(411)	-	81,153	(9,989)	51,244
Other adjustments / transfers - depreciation	-	-	-	-	453	2,906	3,026	3,371	-	-	(81,154)	8,598	(62,801)
Closing net book value	11,209,212	10,380,661	2,483,130	2,457,205	1,673,484	463,995	1,108,286	847,455	46,183	129	85,075	93,295	30,848,109
At December 31, 2017													
Cost / revalued amount	11,209,212	10,380,661	3,038,553	2,924,333	4,455,020	3,790,289	4,606,682	1,180,618	250,271	950	259,577	492,614	42,588,779
Accumulated depreciation	-	-	(555,423)	(467,128)	(2,781,536)	(3,326,294)	(3,498,396)	(333,163)	(204,088)	(821)	(174,502)	(399,319)	(11,740,670)
Net book value	11,209,212	10,380,661	2,483,130	2,457,205	1,673,484	463,995	1,108,286	847,455	46,183	129	85,075	93,295	30,848,109
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on book value	25% to 33% on cost	20% on book value	

Rupees in '000



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

During the year ended December 31, 2018, land and building were revalued having original cost of Rs. 27,540 million and having market value of Rs. 47,684 million as at reporting date. The basis of revaluations were full scope valuations and were carried by RBS associates Private Limited (PBA registered valuer) resulting in surplus of Rs. 21,587 million. For the purpose of the value assessment, factors like commercial value, location, utilization, nature of title etc were kept in mind.

The carrying amount of each class of land and buildings that would have been included in these consolidated financial statements had the assets not been carried at revalued amount are as follows:

	2018 Rupees in '000
Land freehold	11,209,212
Land leasehold	10,380,661
Building on freehold land	2,374,944
Building on leasehold land	2,357,106
The cost of fully depreciated property and equipment that are still in use are as follows:	
Furniture and fixture	367,766
Computer and peripheral equipment	21,033
Electrical, office equipment	417,566



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars Of Property and Equipment	Original Cost	Book Value	Sale Proceed	Gain / Loss on disposal	Mode Of Disposal	Particulars Of Purchaser
Rupees in '000						
Vehicles	1,572	314	314	-	As Per Entitlement	Ex-employee Muhammad Nusrat
Vehicles	1,572	314	314	-	As Per Entitlement	Employee Nusrat Ilyas
Vehicles	1,658	995	995	-	As Per Entitlement	Ex-employee Azmat Moiz
Vehicles	1,673	1,087	1,087	-	As Per Entitlement	Ex-employee Muhammad Ramzan Baloch
Vehicles	1,658	884	884	-	As Per Entitlement	Ex-employee M Khurram Khawaja
Vehicles	1,658	829	829	-	As Per Entitlement	Ex-employee Yasir Ishaq Ansari
Vehicles	1,673	1,227	1,227	-	As Per Entitlement	Ex-employee Taslim Haider
Vehicles	1,572	314	314	-	As Per Entitlement	Ex-employee Riffat Sultana Mughal
Vehicles	1,572	183	183	-	As Per Entitlement	Ex-employee M.Rashid Ghani
Vehicles	1,658	884	884	-	As Per Entitlement	Ex-employee Muhammad Ifikhar
Vehicles	1,858	1,207	1,207	-	As Per Entitlement	Ex-employee Mehmood Siddiqui
Vehicles	1,557	467	467	-	As Per Entitlement	Ex-employee Shahid Razzak
Vehicles	5,106	2,127	2,127	-	As Per Entitlement	Ex-employee Mudassir H Khan
Vehicles	1,873	1,217	1,217	-	As Per Entitlement	Ex-employee Mohsin Furqan
Vehicles	1,673	718	718	-	As Per Entitlement	Ex-employee Syed Shabbir Ahmed
Vehicles	21,800	14,533	14,533	-	As Per Entitlement	Ex-president Ahmed Iqbal Ashraf
	50,126	27,302	27,302	-		
Furniture And Fixtures	175	25	25	-	As Per Entitlement	Ex-employee Raees Ahmed
Furniture And Fixtures	150	13	13	-	As Per Entitlement	Ex-employee Muhammad Muzamml Khan
Furniture And Fixtures	150	24	24	-	As Per Entitlement	Ex-employee Rao Abdul Ghaflar Khan
Furniture And Fixtures	150	3	3	-	As Per Entitlement	Ex-employee Muhammad Bashir
Furniture And Fixtures	150	60	60	-	As Per Entitlement	Ex-employee Muddasir Hamid
Furniture And Fixtures	150	46	46	-	As Per Entitlement	Ex-employee Shafqat Hussain Qureshi
Furniture And Fixtures	150	43	43	-	As Per Entitlement	Ex-employee Tariq Javed Cheema
Furniture And Fixtures	125	25	25	-	As Per Entitlement	Ex-employee Ilyas Ahmed
Furniture And Fixtures	150	25	25	-	As Per Entitlement	Ex-employee Muhammad Bashir
Furniture And Fixtures	150	13	13	-	As Per Entitlement	Ex-employee Nasrullah Pachoho
Furniture And Fixtures	125	20	20	-	As Per Entitlement	Ex-employee Syed Tanveer Ahmed
Furniture And Fixtures	150	29	29	-	As Per Entitlement	Ex-employee Syed Shahzad Ali
Furniture And Fixtures	150	45	45	-	As Per Entitlement	Ex-employee Altaf Hussain Mirza
Furniture And Fixtures	175	53	53	-	As Per Entitlement	Ex-employee Sohail Akhtar
Furniture And Fixtures	175	34	34	-	As Per Entitlement	Ex-employee Muhammad Ramzan Baloch
Furniture And Fixtures	150	45	45	-	As Per Entitlement	Ex-employee Muneer Ahmed Saleem
Furniture And Fixtures	150	10	10	-	As Per Entitlement	Ex-employee Muhammad Ajab
Furniture And Fixtures	150	36	36	-	As Per Entitlement	Ex-employee Muhammad Anwar
Furniture And Fixtures	150	24	24	-	As Per Entitlement	Ex-employee Muhammad Zahid
Furniture And Fixtures	125	43	43	-	As Per Entitlement	Ex-employee Yousaf Ihsan
Furniture And Fixtures	175	10	10	-	As Per Entitlement	Ex-employee Abdul Hameed Memon
Furniture And Fixtures	125	11	11	-	As Per Entitlement	Ex-employee Ghulam Shabbir
Furniture And Fixtures	175	67	67	-	As Per Entitlement	Ex-employee Anwar Ahmed Siddiqui
Furniture And Fixtures	150	3	3	-	As Per Entitlement	Ex-employee Sheikh Muhammad Sultan
Furniture And Fixtures	125	22	22	-	As Per Entitlement	Ex-employee Muhammad Bashir
Furniture And Fixtures	175	38	38	-	As Per Entitlement	Ex-employee M.Rashid Ghani
Furniture And Fixtures	175	48	48	-	As Per Entitlement	Ex-employee Shahid Ahmed
Furniture And Fixtures	125	12	12	-	As Per Entitlement	Ex-employee Late Mazhar Ali Abbasi
Furniture And Fixtures	150	23	23	-	As Per Entitlement	Ex-employee Zahiruddin Babar
Furniture And Fixtures	175	10	10	-	As Per Entitlement	Ex-employee Ch. Aijaz Hussain
Furniture And Fixtures	150	17	17	-	As Per Entitlement	Ex-employee Faraz Ahmed
Furniture And Fixtures	150	21	21	-	As Per Entitlement	Ex-employee Abdul Razzaq
Furniture And Fixtures	175	9	9	-	As Per Entitlement	Ex-employee Abdul Mannan
Furniture And Fixtures	150	33	33	-	As Per Entitlement	Ex-employee Muhammad Shafiq
Furniture And Fixtures	150	34	34	-	As Per Entitlement	Ex-employee Basharat Javed Cheema
Furniture And Fixtures	150	21	21	-	As Per Entitlement	Ex-employee Javed Ehsan
Furniture And Fixtures	150	10	10	-	As Per Entitlement	Ex-employee Muhammad Abdul Qayyum
Furniture And Fixtures	150	8	8	-	As Per Entitlement	Ex-employee Riaz Hussain Shah
Furniture And Fixtures	150	20	20	-	As Per Entitlement	Ex-employee Muhammad Arif Yousuf
Furniture And Fixtures	150	8	8	-	As Per Entitlement	Ex-Employee Muhammad Iqbal Mir
Furniture And Fixtures	150	9	9	-	As Per Entitlement	Ex-employee Manzoor Ahmed
Furniture And Fixtures	150	23	23	-	As Per Entitlement	Ex-employee Muhammad Naem Akhtar
Furniture And Fixtures	175	83	83	-	As Per Entitlement	Ex-employee Muhammad Khalid
Furniture And Fixtures	150	21	21	-	As Per Entitlement	Ex-employee Syed Nazir Hussain Shah
	6,700	1,177	1,177	-		



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

Particulars Of Property and Equipment	Original Cost	Book Value	Sale Proceed	Gain / Loss on disposal	Mode Of Disposal	Particulars Of Purchaser
Rupees in '000						
Office Equipment	15	11	11	-	As Per Entitlement	Ex-employee M.Rashid Ghani
Office Equipment	15	10	10	-	As Per Entitlement	Ex-employee M Khurram Khawaja
Office Equipment	15	15	15	-	As Per Entitlement	Ex-employee Tariq Saeed Rana
Office Equipment	25	0	0	-	As Per Entitlement	Ex-employee Muhammad Ehsan Qadir
Office Equipment	100	79	79	-	As Per Entitlement	Ex-employee Muhammad Asim Akhtar
Office Equipment	126	0	0	-	As Per Entitlement	Ex-employee Azfar Jamal
Office Equipment	93	0	0	-	As Per Entitlement	Ex-employee K.Ahsan Elahi
Office Equipment	95	0	0	-	As Per Entitlement	Ex-employee Risha Ameen Mohyeddin
Office Equipment	96	8	8	-	As Per Entitlement	Ex-employee Mahmood Siddiqui
Office Equipment	95	24	24	-	As Per Entitlement	Ex-employee Mudassir H Khan
Office Equipment	50	44	44	-	As Per Entitlement	Ex-employee Syed Shabbir Ahmed
Office Equipment	15	3	3	-	As Per Entitlement	Ex-employee S Hassan Mustufa Naqvi
Electrical Installations	800	440	440	-	As Per Entitlement	Ex-employee Zahid Mehmood Chaudry
Office Equipment	90	49	49	-	As Per Entitlement	Ex-employee Zahid Mehmood Chaudry
	1,629	683	683	-		
Computer & Peripheral Equipments	99	0	10	10	As Per Entitlement	Employee Muhammad Farooq
Computer & Peripheral Equipments	99	0	10	10	As Per Entitlement	Employee Yousf Ismail
Computer & Peripheral Equipments	101	0	10	10	As Per Entitlement	Employee Abdul Rahim Haroon
Computer & Peripheral Equipments	111	0	0	-	As Per Entitlement	Ex-employee Muhammad Ehsan Qadir
Computer & Peripheral Equipments	88	56	56	-	As Per Entitlement	Ex-employee Azmat Moiz
Computer & Peripheral Equipments	90	55	55	-	As Per Entitlement	Ex-employee Muhammad Ramzan Baloch
Computer & Peripheral Equipments	96	45	45	-	As Per Entitlement	Ex-employee M Khurram Khawaja
Computer & Peripheral Equipments	84	0	0	-	As Per Entitlement	Ex-employee Taslim Haider
Computer & Peripheral Equipments	305	136	136	-	As Per Entitlement	Ex-employee Mahmood Siddiqui
Computer & Peripheral Equipments	450	0	0	-	As Per Entitlement	Ex-employee Imran Jafri
Computer & Peripheral Equipments	99	4	4	-	As Per Entitlement	Ex-employee Umair Javed
Computer & Peripheral Equipments	143	0	0	-	As Per Entitlement	Ex-employee Zahid Mehmood Chaudry
Computer & Peripheral Equipments	140	16	16	-	As Per Entitlement	Ex-employee Zahid Mehmood Chaudry
	1,905	312	342	30		
	60,361	29,473	29,503	30		



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

13. INTANGIBLE ASSETS

	2018					Total
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	
	Rupees in '000					
At January 1, 2018						
Cost	2,913,953	595,616	1,041	655,146	4,774	4,170,530
Accumulated amortisation and impairment	(2,614,325)	(309,392)	(1,041)	(92,593)	(2,742)	(3,020,093)
Net book value	299,628	286,224	-	562,553	2,032	1,150,437
Year ended December 2018						
Opening net book value	299,628	286,224	-	562,553	2,032	1,150,437
Additions:						
- through acquisitions / purchased	-	27,896	-	-	-	27,896
Amortisation charge	(186,602)	(138,078)	-	-	-	(324,680)
Other adjustments - Cost	-	4,470	-	-	-	4,470
Other adjustments - amortisation	-	(1,223)	-	-	-	(1,223)
Closing net book value	113,027	179,289	-	562,553	2,032	856,900
At December 31, 2018						
Cost	2,913,953	627,981	1,041	655,146	4,774	4,202,895
Accumulated amortisation and impairment	(2,800,926)	(448,693)	(1,041)	(92,593)	(2,742)	(3,345,995)
Net book value	113,027	179,289	-	562,553	2,032	856,900
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			
	2017					
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
	Rupees in '000					
At January 1, 2017						
Cost	2,303,196	526,039	1,041	655,146	4,774	3,490,196
Accumulated amortisation and impairment	(1,770,753)	(172,879)	(1,041)	(92,593)	(2,742)	(2,040,008)
Net book value	532,443	353,160	-	562,553	2,032	1,450,188
Year ended December 2017						
Opening net book value	532,443	353,160	-	562,553	2,032	1,450,188
Additions:						
- through acquisitions / purchased	608,726	60,564	-	-	-	669,290
Amortisation charge	(843,572)	(128,894)	-	-	-	(972,466)
Other adjustments - Cost	2,031	9,012	-	-	-	11,043
Other adjustments - Amortization	-	(7,619)	-	-	-	(7,619)
Closing net book value	299,628	286,224	-	562,553	2,032	1,150,437
At December 31, 2017						
Cost	2,913,953	595,616	1,041	655,146	4,774	4,170,530
Accumulated amortisation and impairment	(2,614,325)	(309,392)	(1,041)	(92,593)	(2,742)	(3,020,093)
Net book value	299,628	286,224	-	562,553	2,032	1,150,437
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			

13.1 For the purpose of impairment testing of goodwill, management has considered discounted cash flow method using weighted average cost of capital of 15.74% and terminal growth of 8% considering five years cash flows. Further, discount for lack of marketability is also considered at the rate of 20%. Other key assumption used in the method are management fees, growth rates on asset under management keeping in view of industry growth, expenses based on the historic growth trends, short term investment with the assumption of reinvestment at the rate of 12.5% and discount rate which is based on risk free rate, sector beta and market equity risk premium.

As a result, the recoverable amount exceeds the carrying value as at December 31, 2018, therefore, management did not identify any impairment.



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

14. DEFERRED TAX

	2018			At December 31, 2018
	At January, 1 2018	Recognised in profit and loss account	Recognised in other comprehensive income	
Rupees in '000				
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	13,649,979	(10,749,986)	(83,884)	2,816,109
- Provision for diminution in the value of investments	3,278,835	(3,042,084)	-	236,751
- Provision against advances	622,390	-	-	622,390
- Provision against off-balance sheet obligations	116,622	(1,400)	-	115,222
- Unrealised loss / (gain) on derivatives	439,026	(439,026)	-	-
- Excess of accounting book value of leased assets over lease liabilities	3,872	(6,349)	-	(2,477)
- Other provision	2,187,036	(2,080,660)	5,200	111,576
- Others	3,584	(175)	495	3,904
	20,312,049	(16,319,680)	(78,189)	3,914,180
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(374,657)	80,288	(1,527,836)	(1,822,205)
- Surplus on revaluation of investments	(12,504,929)	-	5,837,227	(6,667,702)
- Surplus on revaluation of non-banking assets	(89,981)	-	34,773	(55,208)
- Others	-	(2,314,832)	-	(2,314,832)
	(12,969,567)	(2,234,544)	4,344,164	(10,859,947)
	7,342,482	(18,554,222)	4,265,975	(6,945,767)

	2017			At December 31, 2017
	At January, 1 2017	Recognised in profit and loss account	Recognised in other comprehensive income	
Rupees in '000				
Deductible Temporary Differences on				
- Tax losses carried forward	-	10,705	-	10,705
- Post retirement employee benefits	12,755,946	(589,740)	1,483,773	13,649,979
- Provision for diminution in the value of investments	3,642,117	(363,282)	-	3,278,835
- Provision against advances	3,312,021	(2,689,631)	-	622,390
- Provision against off-balance sheet obligations	116,622	-	-	116,622
- Unrealised loss / (gain) on derivatives	691,907	(252,881)	-	439,026
- Other provision	2,666,050	(479,014)	-	2,187,036
- Others	4,358	(774)	-	3,584
	23,189,021	(4,364,617)	1,483,773	20,308,177
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(886,042)	511,385	-	(374,657)
- Excess of accounting book value of leased assets over lease liabilities	(85)	3,957	-	3,872
- Surplus on revaluation of investments	(17,094,125)	-	4,589,196	(12,504,929)
- Surplus on revaluation of non-banking assets	(36,273)	-	(53,708)	(89,981)
	(18,016,525)	515,342	4,535,488	(12,965,695)
	5,172,496	(3,849,275)	6,019,261	7,342,482



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018	2017
		Rupees in '000	
15. OTHER ASSETS			
Income / return / mark-up accrued in local currency - net of provision		31,164,399	22,558,331
Income / return / mark-up accrued in foreign currency		2,481,428	1,877,582
Advances, deposits, advance rent and other prepayments	15.1	7,239,676	4,123,761
Advance taxation (payments less provisions)		11,879,329	12,346,521
Income tax refunds receivable		45,531,634	26,214,948
Compensation for delayed tax refunds		8,082,559	5,626,385
Non-banking assets acquired in satisfaction of claims	15.4	3,796,527	2,779,193
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		228,483	228,484
Branch adjustment account		-	2,208,794
Unrealized gain on forward foreign exchange contracts		6,929,960	1,276,403
Commission receivable on Government treasury transactions		4,627,921	4,897,834
Stationery and stamps on hand		381,722	295,520
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	15.2	323,172	323,172
Receivable from Government under VHS scheme	15.3	418,834	418,834
Receivable against sale / purchase of shares		580,632	737,405
Receivable against sale of foreign currencies		160,496	144,776
Receivable from Pakistan Stock Exchange		127,579	134,917
Receivable from mutual funds		674,504	679,176
Acceptances		45,884,978	135,435,471
Others		8,394,868	4,309,372
		<u>179,104,100</u>	<u>226,812,278</u>
Less: Provision held against other assets	15.5	8,884,661	8,772,698
Other assets (net of provision)		<u>170,219,439</u>	<u>218,039,580</u>
(Deficit) / surplus on revaluation of non-banking assets acquired in satisfaction of claims		(201,867)	1,052,107
Other assets - total		<u><u>170,017,572</u></u>	<u><u>219,091,687</u></u>

15.1 This includes Rs. 4,644 million (2017: Rs. 1,650 million) advance against Pre-IPO placement of Term Finance Certificates.

15.2 This represents amount receivable from GoP on account of encashment of various instruments handled by the Group for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

15.3 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	2018	2017
	Rupees in '000	
15.4 Market value of Non-banking assets acquired in satisfaction of claims	<u><u>3,594,660</u></u>	<u><u>3,831,300</u></u>

An independent valuation of the group's non-banking assets were performed by an independent professional valuer to determine the fair value of the assets as at 31 December 2018. The valuation was carried out by RBS Associates (Pvt) Limited, registered at SBP panel of valuers. The valuation conforms to International Valuation Standards.



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
15.4.1 Non-banking assets acquired in satisfaction of claims		
Opening Balance	3,831,300	2,769,018
Revaluation	(201,867)	1,143,793
Depreciation	(34,773)	(30,251)
Disposals	-	(51,260)
Closing Balance	<u>3,594,660</u>	<u>3,831,300</u>
15.4.2 Gain on disposal of non-banking assets acquired in satisfaction of claims		
Disposal Proceeds	-	51,259
less:		
- Cost	-	51,259
- Impairment / depreciation	-	-
	<u>-</u>	<u>51,259</u>
Gain	-	-
15.5 Provision held against other assets		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	2,405,688	1,989,978
Compensation claimed by SBP due to delay in settlement of Government transactions	-	2,281,289
Provision against FE-25 loans	1,734,591	-
Ex-MBL / NDFC - other assets	534,173	534,173
Assets acquired from CIRC	228,484	228,484
Others	1,957,221	1,714,271
	<u>8,884,661</u>	<u>8,772,698</u>
15.5.1 Movement in provision held against other assets		
Opening balance	8,772,698	6,446,438
Charge for the year	2,289,554	1,483,220
Transfer in	-	850,000
Adjustment of compensation claimed by SBP to SBP balances	(2,174,278)	-
Amount Written off	(3,314)	(1,594)
Others	-	(5,366)
Closing balance	<u>8,884,661</u>	<u>8,772,698</u>
16. BILLS PAYABLE		
In Pakistan	9,838,706	12,994,410
Outside Pakistan	105,472	200,645
	<u>9,944,178</u>	<u>13,195,055</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
17. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	1,553,200	4,355,000
Under Export Refinance Scheme (New Scheme)	15,711,423	10,755,737
Refinance Facility for Modernization of SMEs	-	4,500
Financing Facility for storage of Agriculture Produce (FFSAP)	222,727	325,649
Under Long-Term Financing Facility (LTFF)	5,418,613	3,152,418
	<u>22,905,963</u>	<u>18,593,304</u>
Repurchase agreement borrowings	278,631,608	320,039,019
Bai Muajjal	45,954,085	-
Total secured	<u>347,491,656</u>	<u>338,632,323</u>
Unsecured		
Call borrowings	36,400,855	14,500,608
Overdrawn nostro accounts	3,807,347	6,901,943
Bai Muajjal	5,039,538	-
Others - SBP Liabilities on Bangladesh borrowings	-	70,800
Total unsecured	<u>45,247,740</u>	<u>21,473,351</u>
	<u>392,739,396</u>	<u>360,105,674</u>
17.1 Particulars of borrowings with respect to currencies		
In local currency	356,338,554	356,354,012
In foreign currencies	36,400,842	3,751,662
	<u>392,739,396</u>	<u>360,105,674</u>

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

- The Group has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3% (2017: 3.0 % to 6.0 %).
- Repurchase agreement borrowings carry mark-up ranging from 8.4% to 10.16% per annum (2017: 5.7% to 5.85% per annum) having maturity on January 14, 2019.
- Call borrowings carry interest ranging from 0% to 4.22% per annum (2017: 5.75% to 6.0% per annum).

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

17.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 283,850 million (2017: Rs. 319,039 million).



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

18. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
..... Rupees in '000						
Customers						
Current deposits - remunerative	323,623,737	-	323,623,737	275,443,178	-	275,443,178
Current deposits - non-remunerative	342,571,453	123,766,119	466,337,572	287,137,633	75,161,653	362,299,285
Savings deposits	498,375,321	37,821,597	536,196,918	437,531,317	39,329,333	476,860,650
Term deposits	273,492,139	66,143,486	339,635,626	297,644,264	38,635,989	336,280,253
Others	9,377,504	3,409	9,380,913	-	-	-
	1,447,440,155	227,734,611	1,675,174,765	1,297,756,392	153,126,975	1,450,883,366
Financial Institutions						
Current deposits	285,716,351	26,528,709	312,245,060	205,500,132	10,756,838	216,256,970
Savings deposits	812,330	778	813,108	1,428,498	772	1,429,270
Term deposits	7,197,975	1,675,953	8,873,928	23,794,167	10,006,020	33,800,187
Others	4,523,362	9,682,401	14,205,763	4,732,543	19,956,910	24,689,453
	298,250,018	37,887,841	336,137,859	235,455,339	40,720,540	276,175,879
	1,745,690,173	265,622,452	2,011,312,625	1,533,211,731	193,847,515	1,727,059,246

	2018	2017
	Rupees in '000	
18.1 Composition of deposits		
Individuals	665,107,543	595,528,646
Government (Federal and Provincial)	586,365,968	457,955,358
Public Sector Entities	138,286,912	195,199,579
Banking Companies	319,990,010	259,251,295
Non-Banking Financial Institutions	16,313,631	16,924,584
Private Sector	285,248,560	202,199,784
	2,011,312,625	1,727,059,246

18.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 104,127 million (2017: Rs. 93,358 million)

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 774,901 million (2017: Rs. 584,795 million) including Islamic branches.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018			2017		
	Minimum lease payments	Financial charges for future periods	Principal outstanding payments	Minimum lease payments	Financial charges for future periods	Principal outstanding
..... Rupees in '000						
Not later than one year	41,968	9,328	32,640	40,114	2,679	37,435
Later than one year and upto five years	97,404	8,967	88,437	20,758	1,394	19,364
Over five years	-	-	-	-	-	-
	139,372	18,295	121,077	60,872	4,073	56,799

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in quarterly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from KIBOR + 1.75% to KIBOR + 3.5% per annum (2017: KIBOR + 2.95% to KIBOR + 3.30% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 Rupees in '000	2017
20. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		31,324,102	20,693,083
Mark-up / Return / Interest payable in foreign currency		555,608	321,862
Unearned commission and income on bills discounted		643,869	132,755
Accrued expenses		11,651,136	5,961,879
Advance payments		370,498	279,509
Acceptances		45,884,978	135,435,471
Unclaimed dividends		188,868	163,549
Unrealized loss on PUT Option		306,339	306,339
Branch adjustment account		5,864,695	-
Employee benefits:			
Pension fund		13,069,665	12,985,820
Post retirement medical benefits		15,371,225	14,342,369
Benevolent fund		1,604,689	1,977,230
Gratuity scheme		1,881,355	1,581,200
Compensated absences		7,541,419	6,600,690
Staff welfare fund		371,257	371,257
Liabilities relating to Barter trade agreements		18,034,813	14,826,008
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies	20.1	3,734,889	3,634,889
Payable to brokers		180,594	824
Payable to customers		190,335	772,923
PIBs shortselling		366,896	-
Others		11,997,194	10,344,240
		<u>171,761,918</u>	<u>231,359,391</u>
20.1 Provision against contingencies			
Opening balance		3,634,889	3,546,841
Charge during the year	20.1.1	100,000	380,343
Reclassification		-	(292,295)
Closing balance		<u>3,734,889</u>	<u>3,634,889</u>

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

21. SHARE CAPITAL

21.1 Authorized Capital

2018	2017		2018	2017
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>

21.2 Issued, subscribed and paid up

2018	2017		2018	2017
Number of shares			Rupees in '000	
<u>140,388,000</u>	<u>140,388,000</u>	Ordinary shares	<u>1,403,880</u>	<u>1,403,880</u>
<u>1,987,125,026</u>	<u>1,987,125,026</u>	Fully paid in cash	<u>19,871,251</u>	<u>19,871,251</u>
<u>2,127,513,026</u>	<u>2,127,513,026</u>	Issued as bonus shares	<u>21,275,131</u>	<u>21,275,131</u>

The Federal Government and the SBP held 75.60% (2017: 75.60%) shares of the Bank.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Number of shares	
21.3 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
	<u>70,000</u>	<u>70,000</u>

22. RESERVES

22.1 Exchange translation reserve

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

22.2 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 Group are to be transferred to this reserve.

22.3 General loan loss reserve

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

	Note	2018 Rupees in '000	2017
23. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	22,929,135	38,475,151
- Fixed Assets	23.1	44,693,917	23,062,590
- Non-banking assets		2,062,480	2,264,347
- On securities of associates and joint venture		(1,111,660)	(458,356)
		<u>68,573,872</u>	<u>63,343,732</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(6,667,702)	(12,504,929)
- Fixed Assets	23.1	(2,588,785)	(1,116,388)
- Non-banking assets		(55,208)	(89,981)
		<u>(9,311,695)</u>	<u>(13,711,298)</u>
		<u>59,262,177</u>	<u>49,632,435</u>
23.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		22,660,691	22,827,215
Recognised during the year		21,789,525	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(102,829)	(108,241)
Related deferred tax liability on incremental depreciation charged during the year		(55,369)	(58,283)
Surplus on revaluation of fixed assets as at December 31		44,292,018	22,660,691
Less: related deferred tax liability on:			
- revaluation as at January 1		(1,116,388)	(1,174,671)
- revaluation recognised during the year		(1,527,766)	-
- incremental depreciation charged during the year		55,369	58,283
		<u>(2,588,785)</u>	<u>(1,116,388)</u>
Share of surplus on revaluation of fixed assets of associates and joint venture		401,899	401,899
		<u>42,105,132</u>	<u>21,946,202</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018	2017
		Rupees in '000	
23.2 Surplus on revaluation of non-banking assets			
Surplus on revaluation as at January 1		2,264,347	1,163,129
Recognised during the year		(201,867)	1,143,791
Realised on disposal during the year		-	(42,573)
Surplus on revaluation as at December 31		2,062,480	2,264,347
Less: related deferred tax liability on:			
- revaluation as at January 1		(89,981)	(36,273)
- revaluation recognised during the year		34,773	-
- surplus realised on disposal during the year		-	(53,708)
		(55,208)	(89,981)
		2,007,272	2,174,366
24. CONTINGENCIES AND COMMITMENTS			
Guarantees	24.1	94,340,275	114,956,468
Commitments	24.2	1,286,438,703	835,971,920
Other contingent liabilities	24.3	29,259,673	16,747,536
		1,410,038,651	967,675,925
24.1 Guarantees			
Financial guarantees		55,505,600	49,513,095
Performance guarantees		38,834,676	65,443,373
		94,340,275	114,956,468
24.2 Commitments			
Documentary credits and short-term trade-related transactions			
Letters of credit		716,304,478	418,493,125
Commitments in respect of:			
Forward foreign exchange contracts	24.2.1	512,873,075	345,224,842
Forward government securities transactions	24.2.2	56,816,129	71,404,111
Commitments for acquisition of:			
Fixed assets		431,521	767,000
Intangible assets		-	59,727
Other commitments	24.2.3	13,500	23,115
		1,286,438,703	835,971,920
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		312,710,160	202,309,263
Sale		200,162,915	142,915,579
		512,873,075	345,224,842

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.

	2018	2017
	Rupees in '000	
24.2.2 Commitments in respect of forward government securities transactions		
Purchase	50,950,025	63,968,420
Sale	5,866,104	7,435,691
	56,816,129	71,404,111

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
24.2.3 Professional services to be received	<u>13,500</u>	<u>23,115</u>
24.3 Other contingent liabilities		
24.3.1 Claim against the Group not acknowledged as debt	<u>29,259,673</u>	<u>16,747,536</u>

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2017: Rs. 1,597 million).

24.3.2 Taxation

The tax returns of the Bank have been filed up to tax year 2018 and amended by the tax authorities up to Tax Year 2017. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2018. Notice for amendment proceedings for the tax year 2018 under section 122(9) has been received to Bank and proceedings are underway with the department.

- a) The tax authorities closed audit proceedings initiated under section 177(1) of the Income Tax Ordinance, 2001 for the tax year 2016 accepting the Bank's contention.
- b) The other matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on December 31, 2018 amounts to Rs.10.7 billion (December 31, 2017: Rs. 14.2 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.
- c) Through Finance Act, 2015, for tax year 2015 and onwards, income from dividend and income from Capital gains taxed at the rate of thirty five percent. As the chargeability of tax imposed was retrospective from the tax year 2015, therefore, on legal grounds, the bank filed Constitution Petition before the Honourable High Court of Sindh which is pending. However, last year the Honourable High Court of Sindh has given favourable judgement on the same issue in other case against which the department has filed appeal before the Honourable Supreme Court of Pakistan. The bank has made the provision on prudent basis.
- d) The Sindh Workers Welfare Fund Act, 2015 (Sindh WWF Act) has been promulgated in the month of May 2015. Earlier as per the Workers Welfare Fund Ordinance, 1971, the Bank in which Government holds more than 51% shareholding remained exempt from levy of WWF. The Sindh WWF Act, 2015 is retrospective in its effect and it attempts to impose levy from the date even prior to its promulgation. As the chargeability of tax imposed is retrospective and the law is defective considering constitutional issues – Fee or Tax including geographical / territorial jurisdiction for bank operating in all the provinces of Pakistan as well as the Bank employees do not fall in the definition of workers, therefore, on legal grounds against the said levy bank has decided to file suit before Honourable High Court of Sindh. Accordingly, no provision has been made for Sindh WWF in these unconsolidated financial statements based on the advice of the Tax consultant.
- e) In case of Sales Tax / Federal Excise Duty, appeals have been filed before various appellate forums including reference and constitutional petitions before the High Court of Sindh; wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.
- f) The Bank has filed an Appeal before the Commissioner (Appeals) Sindh Revenue Board on the order passed by Assistant Commissioner SRB for levy of Sindh Sales Tax on the services provided to the Federal Government through the State Bank of Pakistan for the tax period July 2011 till March 2015 amounting to Rs.358.28 million based on data provided by SBP. No provision has been made for this amount in these unconsolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.
- g) Against ATIR orders for the Tax Years 2011 to 2014, the Bank has obtained appeal effect orders which has resulted in net increase in determined refunds by Rs. 18.358 billion and prior year tax reversal of Rs. 1.914 billion. Further, as a result of appeal effect order passed under section 124 / 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2015, the net refund have increased by Rs. 1.899 billion and tax reversal of Rs. 0.198 billion. Therefore, the aggregate refunds increased by Rs.20.257 billion and prior year tax reversal of Rs. 2.113 billion.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

24.3.3 Barter Trade Agreements

In order to reduce pressure on the balance of payment, the GoP had entered into barter trade agreements with various countries and designated the Bank to handle the related transactions on behalf of GoP. Accordingly, the Bank executed banking arrangements with the designated banks of these countries and opened accounts in their names. In one of the barter agreement, repayments made to the Bank by the GoP could not be utilized due to non-finalization of Letter of Exchange for its utilization after 1994 at Government level, which was required under the relevant barter agreement. The concerned bank is now demanding payment of interest on the balances in its accounts with the Bank. Since these balances are maintained in current accounts and there is also no clause for payment of any interest in the relevant banking arrangement, therefore the Bank has strongly refused such claims.

24.3.4 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 24.3.4.1) and Restoration of Commuted Pension (note 24.3.4.4), the financial impact of other matters is impracticable to determine with sufficient reliability.

24.3.4.1 Pensionary benefits to retired employees

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

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was dissolved 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 had approved the Revised Pay Structure for the officers / executives of the bank with effect from January 01, 1999 vide Circular No.37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

The Bank has filed Review petitions against the aforesaid judgment of the Honourable Supreme Court of Pakistan and also had made an application for constitution of larger bench of the Supreme Court to hear the Review petition, which has been accepted. 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.

In case this matter is decided unfavorably, the bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 61.3 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for 2019 onward will also increase by Rs.7.9 billion due to this decision. 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.

24.3.4.2 Encashment of unavailed leave

Some of the employees of the Bank filed Writ Petitions before Lahore High Court after their retirement, in September 2012, praying the Court for issuance of directions to the bank for encashing their entire un-availed leave balance frozen in terms of Bank's Circular 37/1999 and 57/ 1999.

The Bank revised rules of leave encashment with effect from January 1, 1999. As per revised rules, leave balances accumulated under old rules were marked as "Frozen Leave" to differentiate it with subsequent leaves to be accumulated. There was no bar on employees to avail these leaves, which would lapse on retirement.

The Lahore High Court dismissed the petitions of the subject ex-employees in April 2014 while observing that claim of the petitioners was hit by laches as the Petitions were filed in the year 2012 and that all the petitioners filed the petitions after having availed all retirement benefits when all outstanding dues were paid at the time of retirement at which point no claim for any amount was made. The Petitioners filed Intra Court appeals against the aforesaid judgment which were dismissed by the Lahore High Court, Lahore.

Another Constitution Petition No. D-3445/ 2012 titled as Iffat Aara Hassan & others vs. NBP etc. filed before the High Court, of Sindh, Karachi, on the matter was dismissed by a Division Bench vide order dated January 11, 2017, while concluding that the issue which was subject matter of the Petition was pat and closed transaction, hence, the same could not be agitated through this Constitution Petition.

The Bank has not received so far any notices in respect of appeal(s) (if any) filed by the petitioners.

Recently in terms of order dated 22.1.2019, the Lahore High Court, Lahore, has dismissed five more Writ Petitions in the light of a previous judgment in the matter of Umar Hayat Khawaja vs. NBP (2014 PLC (CS) 871) wherein it was held that the PL Balance can be claimed up to maximum of 180 days at the time of retirement.

A Writ Petition No. 601-A/2013 titled as Manzoor Elahi Vs NBP and WP No.4953/2017 filed by retired employees for granting LPR encashment of 360 days instead of 180 days are pending adjudication before the Peshawar and Abbottabad Benches of the Peshawar High Court.

24.3.4.3 Post retirement medical facilities

On 14 March 1995, on the instructions of Pakistan Banking Council, the Bank issued Circular No. 19/95, in terms of which the Bank was to provide relief to the retired employees by way of increase in medical ceiling on the increase in salary. It was decided that the Bank would re-determine the monetary ceiling of retired officers/executives after every revision of pay scale on the basis of notional re-fixation in revised scale on point to point basis. In 2003 two retired employees moved Federal Service Tribunal for increase of post-retirement medical ceiling in the light of the said Circular. The Bank contested the case but a representative of Establishment Division stated before the FST that Bank had adopted the said Circular and the two appeals were accepted by the FST. The Bank's appeals before the Supreme Court failed and even review petitions were dismissed.

Later on, in September, 2011 Ch. Muhammad Qasim and 5 others who had opted for separation from service under GHS/ VHS filed writ petition for availing similar relief of post-retirement medical ceiling while citing the respective judgments of the FST and Supreme Court. The Bank contested the writ petition on the Grounds that the petitioners had opted for separation from the service of the Bank under GHS AND VHS after receiving payment of compensation as contemplated under the said Schemes. With regard to medical ceiling for such persons who had opted voluntarily, it was contended by the bank before the Court that option was given to such employees either to accept the present medical ceiling for 10 years in lump sum or to continue with the present payment as if they had retired on attaining the age of superannuation. The petitioners had opted for continuing with the present ceiling as prevalent at the time of the separation scheme therefore, they were not entitled for any benefit under the said circular. It was also urged by the Bank that in view of judgment of Apex Court in Naseem Arif Abbasi case, the petitioners, after having signed a disclaimer at the time of receipt of benefits under GHS, were not entitled to any further payment. The high court while disregarding these arguments allowed the Writ Petition. The Bank has filed an Intra Court Appeal (ICA) against the order of the single bench which is still pending adjudication and is fixed for hearing on February 27, 2019.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

24.3.4.4 Restoration of Commuted Pension

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

In one of such writ petitions, the Honourable Lahore High Court, without issuing notices to the bank disposed of the same vide order dated January 13, 2015, while observing that the Petitioner was also entitled to be treated at par with the pensioners whose cases had already been decided in a case titled as "Additional Accountant General Pakistan Revenue, Lahore vs. A.A.Zubari" which had attained finality up to the level of Supreme Court of Pakistan.

The judgment referred in the case was decided by a Division Bench of Lahore High Court in which restoration of pension after period of commutation was directed to be allowed at the rate prevailing at the time of restoration and not at the rate of pension prevailing at the time of commutation. Against the said order, the bank has filed an Intra Court Appeal as the matter was decided without summoning the bank. Our main argument is that A.A. Zubari's judgment pertains to Civil servants and the Bank employees are not civil servants. The case was remanded to the single bench for a fresh decision after hearing the Bank. The single bench again decided the matter against the Bank vide order dated April 14, 2017 which has been assailed by the Bank through an Intra Court Appeal. The matter is still pending adjudication.

24.3.4.5 Regularizing the temporary hires / workers deployed by Service provider Companies under outsourcing arrangements

The Petitioners in these Petitions/ Appeals, filed for regularization of services, were either allegedly engaged by the Bank purely on temporary basis on Borrowers' accounts as Godown keepers or Godown chowkidars for watching the pledged stocks of the Borrowers or they were deployed at various Bank premises by the Service Provider Companies, under outsourcing arrangements, as per the SBP Policy, for non-core jobs. Litigation in respect of temporary Godown keepers/Godown chowkidars was started in the year 2001-2002. Subsequently in terms of President office circular No. 10/2003 dated 1.8.2003 a formula was evolved that if such temporary employees had completed three years' service as on the date of the circular with breaks of not more than 15 days, they would be eligible for the absorption on regular basis (with certain other conditions). Subsequently the FST while accepting the appeals of the temporary hires adopted almost the same criterion as given in the said circular. The honourable Supreme court also upheld the decision of the FST (2005 SCMR 100). The Bank had obtained permission from Government to absorb 1500 godown staff in the Bank. All who fulfilled the criteria were absorbed. Some Petitions are still pending adjudication in terms of which the Petitioners have sought regularization of service in terms of the Ikram Bari judgment.

Under the SBP Guidelines, in terms of a policy decision, the bank outsourced certain noncore jobs to various service provider companies after entering into contract with them. The sources deployed by the service provider companies are actually their employees and the said companies have the sole administrative control over those resources. However some of those resources filed writ petitions before various benches of High Courts and NIRC while praying for issuance of directions to the Bank for absorbing them in the regular service of the Bank while alleging that actually they were employees of the Bank. Petitions filed before the Peshawar High Court, Abbottabad and Mardan Bench were allowed. Appeals filed by the Bank before the honourable Supreme Court of Pakistan against the order of the Peshawar High Court, Abbottabad Bench were disposed of on March 03, 2016 and the Bank was directed to decide the cases of the Respondents after engaging them through personal hearings. Subsequently all the Respondents who had been hired through a service provider company (80 in numbers) were heard in person and their cases for regularization in Bank's service were declined through speaking orders duly communicated to them. The Petitioners filed contempt petitions before the honourable Supreme court and the matter was decided in their favor. Our respective Review Petition was also dismissed and services of all those Petitioners were regularized.

Appeal filed by the Bank against the order of Peshawar High Court, Mardan Bench in the matter of Mr. Talimand and 23 others was dismissed by the Honourable Supreme Court of Pakistan vide order dated 25.05.2016 and Bank was directed to regularize all the Respondents in Bank's service. Our Review Petition was also dismissed and Bank had to regularize the services of all those Petitioners.

Moreover, in the mid of August 2016, some service provider companies terminated the services of some resources deployed at various Bank Branches/offices. Almost all of those employees (around 150 in number) have filed petitions before various benches of NIRC for their absorption in Bank's service.



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

Vide order dated 26.10.15, the Honourable Balochistan High Court, Quetta, dismissed CP No.201/12 filed by one Mr. Abdul Ghafoor and 10 others for regularization of their services. The said order was assailed by the Petitioners before the Apex court vide CP No.3724/2015 (CA No.1496/17) which was allowed along with CMA No.7903/16, 3474/17 and 4154/17 filed by 193 other such employees deployed at various premises of NBP in different Regions. Bank filed Review Petitions against the said judgment which were also dismissed vide order dated May 30, 2018.

The Peshawar High Court has allowed 12 more Writ Petitions involving 59 Petitioners, with directions to regularize their services. The Bank has assailed the subject orders before the Apex Court through Mr. Naeem Bukhari ASC and Khawaja Muhammad Farooq Mehta Sr. ASC which are yet to be fixed for hearing.

In a recent development, the Honourable Supreme Court of Pakistan, in terms of judgment dated 20.6.18, passed in our Civil Appeal titled as NBP Vs Shoaib Iftikhar, while accepting our appeal and directing the respondent to approach some appropriate forum, have observed that the disputed questions of fact could not be resolved in Writ Jurisdiction. Mr. Sohaib Iftikhar was engaged on 22.11.2004 as Godown Keeper on the payroll of M/s Harvest Co. and was disengaged on 10.05.2011. He filed a WP No. 27506/ 2011 before the LHC-Lahore while praying the Court for setting aside his termination order and regularize his services in view of Ikram Bari's Judgment. The said W.P. was allowed by Honourable Court on 18.12.2013. The Bank had filed an ICA against the said order which was also dismissed vide order dated 23.01.2014, subsequently, it was assailed by the Bank by filing a Civil Appeal which was allowed on 20.06.2018 with the following observations; "...both learned Benches of High Court have failed to address squarely the factual dispute raised by the Petitioner Bank that the Respondent was working for Harvester (Pvt.) Ltd. The letter of appointment produced by the Respondent is just a photocopy and unsigned document which is denied by the Petitioner Bank. The Respondent thereafter placed reliance upon Ikram Bari's Judgment however, there is a dispute that the Respondent is not an employee of the Petitioner Bank. The Bank has categorically and unequivocally denied any such relationship at all stages of the litigation. In the circumstances, this disputed question of fact going to the root of the matter was not open to determination by either of the learned High Court. In any event, Writ was not a competent remedy when it involved a disputed question of fact which needed to be resolved through recording evidence and the Writ Petition was not competent in the facts and circumstances of the case. Therefore, the finding of reinstatement and regularization in service given in favour of the Respondent by the High Court was unfounded. The Respondent may however approach a Court of plenary jurisdiction for pursuing his grievance against the Petitioner Bank, if so inclined."

The aforesaid order of the Apex court is contrary to the earlier orders passed by the High Courts and the Supreme Court in the similar matters.

Some of our CPLAs filed before the Apex court are still pending adjudication and our counsels would argue the cases on merits however, in view of the earlier orders passed by the Apex court on similar issues, we don't have a very strong case however, our observation is without prejudice to the merits/legal grounds available with the Bank for defending such cases.

24.3.4.6 Golden Handshake (GHS)

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

24.3.4.7 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 21.09.2016 passed by the Supreme court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated 13.03.2013 of the Division Bench of Sindh High Court, Sukkur in CP No. D-417/2010.

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

The Honourable Division Bench at Sukkur, vide order dated 13.3.2013, accepted the subject petition on the touch stone of Article 25 of the Constitution of Pakistan 1973 and directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.



Notes to the Consolidated Financial Statements

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The aforementioned order of the Sindh High Court was assailed by the Bank before the Apex Court through CP No. 805/2013. Bank was granted Leave with directions to file separate job descriptions of Non-MTOs and MTOs however our Civil Appeal was dismissed vide order 21.09.2016 in terms of which the Order of the Sindh High Court was upheld with the following operative part:

Quote: "... The Respondents Non-MTO Officers would be entitled for same salary, perks and emoluments as are applicable and payable to the MTO Officers working in contemporary grades from the date of Judgment of the Sindh High Court effective from 13.03.2013, arrears for the difference in such salary/ emoluments be paid by the NBP to the Respondents in six equal instalments along with monthly salary from ensuing month". Unquote

Review Petition filed by the Bank was also dismissed vide order dated 14.04.2017.

Subsequent to the aforesaid order, the regular employees (Non-MTOs) of the Bank filed a large number of Writ Petitions before various High Courts, seeking benefit of the said judgment. One of those Writ Petitions filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated 30.05.2018, in the light of the aforesaid judgment of the Supreme Court. The Bank has assailed the said order before the Apex court through Mr. Ahmer Bilal Soofi ASC however, no date has yet been fixed for hearing. A number of Bank Employees, after their representations were declined by the Bank, filed Writ Petitions before Various Benches of the Sindh High Court, Lahore High Court and Islamabad High Court. The Petitions filed before the Sindh High Court were disposed of with directions to the Bank to constitute a Committee for examining the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgment given by the honourable Supreme Court of Pakistan in Civil appeal number 1644/2013 dated 21.9.16. The Bank has already formed a Committee and cases of the Petitioners/employees, claiming to be similarly placed with the MTOs, are to be considered by the Bank on the basis of intelligible differentia.

In terms of a consolidated judgment dated 18.12.2018, the honourable Lahore High Court, Lahore, allowed 4 Writ Petitions filed by the employees of the Bank, in the year 2017 & 2018, seeking benefit of the judgment dated 21.9.16 of the Apex court. The Bank has filed ICAs and operation of the impugned order was suspended vide order dated 16.01.2019.

24.4 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 Honourable High Court of Sindh against the said judgments. The Honourable High Court has granted relief to the Bank by way of interim orders.

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

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

24.5 Compliance and risk matters relating to anti-money laundering

The Bank and its New York Branch have entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and gets them independently validated. The Bank seeks to comply with all possible laws and regulations and at this stage there is no indication of any financial impact or penal consequences.



Notes to the Consolidated Financial Statements

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	Note	2018 Rupees in '000	2017
25. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		69,413,234	55,079,085
Investments		76,346,868	66,484,934
On securities purchased under resale agreements		3,666,797	1,153,465
Balances with banks		751,279	697,539
		<u>150,178,178</u>	<u>123,415,023</u>
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		61,688,519	54,866,341
Borrowings		2,942,429	953,316
Cost of foreign currency swaps against foreign currency deposits		6,075,207	3,072,162
Securities sold under repurchase agreements		18,580,699	9,918,924
		<u>89,286,854</u>	<u>68,810,743</u>
27. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,251,885	1,334,176
Consumer finance related fees		802,721	665,115
Card related fees		437,670	330,463
Credit related fees		284,106	249,687
Investment banking fees		644,931	1,097,725
Commission on trade		4,121,984	2,798,701
Commission on guarantees		428,051	507,087
Commission on cash management		16,431	18,473
Commission on remittances including home remittances		854,338	488,439
Commission on bancassurance		343,621	127,554
Commission on government transactions		9,223,016	8,967,151
Management Fee & Sale Load		1,473,419	1,492,890
Brokerage Income		94,820	91,261
Others		146,944	234,279
		<u>20,123,937</u>	<u>18,403,001</u>
28. GAIN ON SECURITIES - NET			
Realised	28.1	3,963,001	6,507,225
Unrealised - held for trading	10.1	(22,024)	10,317
		<u>3,940,977</u>	<u>6,517,542</u>
28.1 Realised gain on:			
Federal Government Securities		513,577	2,877,699
Shares and mutual funds		3,362,184	3,613,765
Ijarah Sukuks		87,240	15,761
		<u>3,963,001</u>	<u>6,507,225</u>
29. OTHER INCOME			
Rent on property		51,761	101,631
Gain on sale of fixed assets - net		138,248	125,760
Compensation for delayed tax refunds	29.1	2,456,174	1,499,875
Reimbursement of indemnification		-	19,000
Others		29,246	10,271
		<u>2,675,429</u>	<u>1,756,537</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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

	2018	2017
Note	Rupees in '000	
30. OPERATING EXPENSES		
Total compensation expense	38,303,721	32,019,918
Property expense		
Rent and taxes	2,624,302	2,592,160
Insurance	883,998	351,951
Utilities cost	1,036,726	834,969
Security (including guards)	2,352,104	2,296,590
Repair and maintenance (including janitorial charges)	1,546,983	1,529,645
Depreciation	205,165	236,918
Depreciation on non banking assets	34,770	30,251
Depreciation on Ijarah assets	258,703	85,725
	8,942,750	7,958,209
Information technology expenses		
Software maintenance	617,945	670,879
Hardware maintenance	23,412	29,145
Depreciation	443,035	368,607
Amortisation	324,680	972,466
Others	69,722	44,973
	1,478,794	2,086,071
Other operating expenses		
Directors' fees and reimbursement of other expenses	29,918	24,413
Directors' fees and allowances - Subsidiaries	4,455	6,588
Legal & professional charges	528,080	826,049
Outsourced services costs	783,669	752,512
Travelling and conveyance	1,001,243	801,103
NIFT clearing charges	152,937	126,147
Depreciation	1,512,509	1,524,268
Training and development	140,692	24,546
Postage and courier charges	340,258	273,705
Communication	849,641	824,974
Stationery and printing	962,267	884,662
Marketing, advertisement & publicity	708,283	480,188
Donations	2,015	3,660
Contributions for other Corporate and Social Responsibility	77,728	58,288
Auditors Remuneration	257,590	198,400
Fixed Assets / Non-banking asset deficit	202,847	60,244
Financial charges on leased assets	19,313	12,317
Entertainment	210,409	161,632
Clearing, verification, licence fee charges	294,790	294,673
Subscription	1,872	2,495
Brokerage	89,105	167,476
Others	339,610	162,664
	8,509,230	7,671,003
	<u>57,234,494</u>	<u>49,735,202</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

- 30.1** This includes Rs. 2.759 million (2017: Rs.1.800 million) insurance premium against directors' liability insurance.
- 30.2** Total cost for the year included in other operating expenses relating to outsourced activities is Rs 784 million (2017: Rs 753 million). Out of this cost, Rs 773 million (2017: Rs 741 million) pertains to the payment to companies incorporated in Pakistan and Rs 11 million (2017: Rs 12 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017.

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.

	2018	2017
	Rupees in '000	
30.3 Donations include following amounts exceeding Rs. 500,000:		
Liver Foundation Trust	-	1,000
The Citizens Foundation	-	860
PM & CJ Fund for Bhasha Mohmand Dam	1,000	-
	<u>1,000</u>	<u>1,860</u>
Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:		
Donation to supreme court for Dam Construction	19,493	-
Agribusiness School at Namal Knowledge City Construction Board room/Faculty Lounge.	10,000	-
Subscribing Thomson Eikon Data Stream to Abdul Wali Khan University Mardan.	2,665	-
Sponsor-Construction of Class Room at Akhuwat University at Lahore.	2,500	-
Two Dialysis Machine to Jijal Maau Hospital Hyderabad.	2,500	-
NBP Scholarship Program for IBA Students Sukkur	2,100	-
National Epilepsy Center at Karachi	1,800	-
NBP Scholarship Program for 05 Students of Namal College-Mianwali	1,500	-
NBP Scholarship Program for 05 Students of Namal College-Mianwali.	1,500	-
Corporate Partnership Between NBP & Teach for Pakistan.Islamabad	1,500	-
NBP Contribution in shape of supply 10 new motorcycle rickshaws in Mohmand Agency-2018.	850	-
10 Motorcycle Rickshaws to Rehabilitate Special Person.	800	-
Scholarship Program for The Students of Sindh Madressatul Islam University Karachi.	720	-
NBP Sscholarship Program,3rd Instalment.Sindh Madressatul Islam University Karachi.	720	-
Financial Grant for Speech Processor Hearing Device to Mr. Basheer Ahmed OG-I.	565	-
01 Ambulance & 50 Non food item kits to Pakistan Red Crescent Society Islamabad.	-	8,105
Scholarship for 10 students of Sargodhian Spirit Trust Tandoallyar.	-	3,750
Habib University Foundation to Faculty Development & Research Fund Karachi.	-	3,340
Aman Ambulance to Aman Foundation .	-	2,000
Re-Adaption of Female Ward in Marie Adelaide Leprosy Centre Karachi.	990	1,980
NBP Students Scholarship, through Professional Education Foundation, Karachi	1,200	1,200
NBP Scholarship Program for 19 Students of Wise Education Society-Lahore	1,200	1,200
NBP Scholarship for 17 students-Centre for Devel Social Services Karachi.	-	1,010
Distribution of Ramzan Food Package Packets for Lyari Town,Karachi.	810	1,000
Chemistry Analyzer Thalassemia Patients at Muhammadi Blood Bank & Thalassemia Karachi.	-	821
10 Motorcycle Rickshaws,Poor Deserving People of Tharparkar by Pak Hindu Council.	-	800
Uniform & Shoes for Students Studying at AAB, Karachi.	-	777
Construction of Classroom for Special Children by Marghzar Welfare Society	-	660
Donation-CTG Machine to Patient Welfare Society at Lady Aitchison Hospital Lhr.	-	540
	<u>53,413</u>	<u>27,183</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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

Deloitte Yousuf Adil	Grant Thornton Anjum Rahman	Total 2018	Total 2017
Rupees in '000			

30.4 Auditors' remuneration

Audit fee	6,226	6,226	12,452	12,452
Review of interim financial statements	2,178	2,178	4,356	4,356
Fee for audit of domestic branches	5,060	5,060	10,120	10,120
Fee for other statutory certifications	1,500	1,500	3,000	3,000
Special certifications and sundry advisory services	4,136	4,336	8,472	6,786
Tax services	-	20,000	20,000	20,000
Sales Tax	1,528	3,144	4,672	4,546
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	25,128	46,944	72,072	70,260
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	180,405	123,202
Fee for audit of subsidiaries including out-of-pocket expenses -	-	-	5,113	4,938
	25,128	46,944	257,590	198,400

	Note	2018 Rupees in '000	2017 Rupees in '000
31. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		237,480	214,393
Penalties imposed by other regulatory bodies (Central Bank of international branches and subsidiaries)		8,517	91,664
		245,997	306,057
32. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments	10.3	143,370	(2,576,910)
Provisions against loans and advances	11.4	8,772,565	1,244,608
Provision against other assets	15.5.1	2,289,552	1,867,034
		11,205,488	534,732
33. TAXATION			
Current		12,045,395	8,676,731
Prior years		(20,755,128)	271,652
Deferred		18,554,222	3,849,275
		9,844,489	12,797,658

33.1 Current taxation includes Rs. 519 million (2017: Rs. 82 million) of overseas branches.

33.2 Relationship between tax expense and accounting profit

	2018 Rupees in '000	2017 Rupees in '000
Accounting profit before tax	29,879,789	36,143,520
Income tax at statutory rate @ 35% (2017: 35%)	10,457,926	12,650,232
Super tax at statutory rate @ 4% (2017: Nil%)	1,187,335	-
Prior year tax effects	(2,112,896)	271,652
Others	312,123	(124,226)
Tax charge for current and prior years	9,844,489	12,797,658



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

33.3 The Federal Government vide Finance Act 2017 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2018 (Tax Year 2019). Accordingly, provisions of Rs. 1,217 million (2017: Rs. 1,021 million) for Super tax has been made in current year, however, provision of Rs. 1,021 million in respect of financial year 2017 was made in prior year. Further, a reversal of Rs. 2,113 million (2017: Rs. 749 million) has been recorded as described in note 24.3.2 (g) to these consolidated financial statements.

	2018	2017
	Rupees	
34. BASIC EARNINGS PER SHARE		
Profit for the year (000's)	19,913,104	23,180,529
Weighted average number of ordinary shares (000's)	2,127,513	2,127,513
Basic earnings per share	9.36	10.90

35. DILUTED EARNINGS PER SHARE		
Profit for the year (000's)	19,913,104	23,180,529
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (000's)	2,127,513	2,127,513
Diluted earnings per share	9.36	10.90

	2018	2017
	Rupees in '000	
36. CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	247,917,421	160,405,083
Balance with other banks	13,049,725	26,992,279
Call money lendings	8,240,800	1,540,800
Call borrowings	(36,400,855)	(14,500,608)
Overdrawn nostros	(3,807,347)	(6,901,943)
	228,999,744	167,535,611

	2018	2017
	Number	
37. STAFF STRENGTH		
Permanent	12,208	12,419
On contract	4,668	4,171
Staff strength at the end of the year	16,876	16,590

37.1 In addition to the above, 2,185 (2017: 2,397) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 2,185 employees working domestically (2017: 2,397) and abroad Nil (2017: Nil).

38. DEFINED BENEFIT PLAN

38.1 General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.14 to the consolidated financial statements.

38.2 Number of Employees under the scheme

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

	2018	2017
	Number	
Pension fund	11,547	11,620
Gratuity fund	3,859	3,566
Benevolent Fund	11,547	11,620



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

38.3

Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
	Per annum	
Discount rate	13.25%	9.50%
Expected rate of return on plan assets	13.25%	9.50%
Expected rate of salary increase	13.25%	9.50%
Expected rate of increase in pension	8.75%	5.00%
Expected rate of increase in medical benefit	13.25%	9.50%

38.4

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

	2018				2017				
	Pension fund	Post retirement medical scheme	Benevolent Schem	Gratuity fund	Post retirement medical scheme	Benevolent Schem	Gratuity fund	Compensated absences	Total
Present value of obligations	61,084,925	15,371,225	1,604,689	1,730,265	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463
Fair value of plan assets	(48,015,260)	-	-	-	(44,966,044)	-	-	-	(44,966,044)
Holding Company	13,069,665	15,371,225	1,604,689	1,730,265	12,985,820	1,977,230	1,467,310	6,600,690	37,373,419
Subsidiaries	-	-	-	151,090	-	-	113,890	-	113,890
	13,069,665	15,371,225	1,604,689	1,881,355	12,985,820	1,977,230	1,581,200	6,600,690	37,487,309

38.5

Movement in defined benefit obligations

	2018				2017				
	Pension fund	Post retirement medical scheme	Benevolent Schem	Gratuity fund	Post retirement medical scheme	Benevolent Schem	Gratuity fund	Compensated absences	Total
Obligations at the beginning of the year	61,084,925	15,371,225	1,604,689	1,730,265	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463
Current service cost	1,298,574	401,474	66,305	251,131	1,235,665	176,099	121,318	630,666	2,582,334
Interest cost	5,360,600	1,321,656	178,311	137,009	5,020,105	1,235,665	176,099	6,553,187	12,198,262
Benefits paid by the bank	(3,048,981)	(860,398)	(200,539)	(50,210)	(4,023,611)	(741,292)	(247,110)	(292,579)	(5,348,095)
Re-measurement loss / (gain)	(477,132)	166,124	(416,618)	(74,975)	860,540	23,082	(9,547)	-	780,760
Obligations at the end of the year	61,084,925	15,371,225	1,604,689	1,730,265	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463

38.6

Movement in fair value of plan assets

Fair value at the beginning of the year	44,966,044
Interest income on plan assets	4,176,565
Contribution by the Bank - net	1,044,583
Benefits paid	(3,048,981)
Benefits paid on behalf of fund	1,439,981
Re-measurements: Net return on plan assets over interest income gain / (loss)	(562,932)
Fair value at the end of the year	48,015,260

38.7

Charge for defined benefit plans

Current service cost	1,298,574
Net interest on defined benefit asset / liability	1,184,035
	1,723,130
	244,616
	388,140
	1,187,530
	6,029,025

38.7.2

Re-measurements recognised in OCI during the year

Loss / (gain) on obligation	-
- Demographic assumptions	-
- Financial assumptions	-
- Experience adjustment	-
Return on plan assets over interest income	85,800
Total re-measurements recognised in OCI	85,800



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
38.8 Components of plan assets		
Pakistan Investment Bonds	268,527	1,144,751
Term Finance Certificates	104,000	101,436
Mutual Funds / Shares	5,421,318	12,836,495
Shares	6,371,337	-
Term Deposit Receipts	11,182,753	9,892,631
Defence Saving Certificates	6,491,911	6,884,201
Special Saving Certificates	17,716,001	13,583,880
Cash at Bank	459,413	522,650
	<u>48,015,260</u>	<u>44,966,044</u>

38.9 Sensitivity analysis

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

	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total
	Rupees in '000					
1% increase in discount rate	55,002,614	13,329,676	1,512,151	1,529,703	6,952,783	78,326,927
1% decrease in discount rate	68,442,993	17,941,836	1,708,824	1,969,275	8,216,888	98,279,816
1 % increase in expected rate of salary increase	64,244,038	16,139,350	1,622,589	1,975,523	8,245,768	92,227,268
1 % decrease in expected rate of salary increase	58,251,235	14,685,546	1,587,334	1,521,441	6,918,102	82,963,658
1% increase in expected rate of pension increase	64,977,547	16,197,491	-	-	-	81,175,038
1% decrease in expected rate of pension increase	57,734,070	14,657,534	-	-	-	72,391,604
1% increase in expected rate of medical benefit increase	-	16,306,424	-	-	-	16,306,424
1% decrease in expected rate of medical benefit increase	-	14,583,650	-	-	-	14,583,650
38.10 Expected contributions to be paid to the funds in the next financial year						<u>1,288,715</u>
38.11 Expected charge / (reversal) for the next financial year						<u>7,403,818</u>

38.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension Fund	11.00
Post retirement medical fund	8.36
Benevolent fund	6.13
Gratuity fund	6.91
Compensated absences	8.38



Notes to the Consolidated Financial Statements

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38.13 Funding Policy

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

	Rupees in '000	Percentage
Current Assets		
Cash and cash equivalents - net	459	0.90
Government Securities	24,476	50.97
Shares	6,371	13.27
Non-Government Debt Securities	11,287	23.57
Mutual Funds	5,421	11.29
	48,014	100.00

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 obligation period	The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the 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.

39. DEFINED CONTRIBUTION PLAN

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Group currently does not have any Defined contribution plan.



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

40. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Fees	-	-	23,588	18,006	-	-
Managerial remuneration	44,479	50,631	-	-	3,529,725	3,143,329
Charge for defined benefit plan	9,358	3,500	-	-	2,670,850	2,395,576
Rent and house maintenance	1,495	1,574	-	-	1,520,698	1,485,569
Utilities	584	621	-	-	513,577	488,455
Medical	63	199	-	-	378,850	583,467
Conveyance	-	-	6,330	6,407	774,830	786,278
Leave fare assistance	-	-	-	-	237	-
Bonus	10,176	-	-	-	1,077,843	1,209,393
Others	2,246	3,074	-	-	30,169	15,114
	<u>68,401</u>	<u>59,599</u>	<u>29,918</u>	<u>24,413</u>	<u>10,496,779</u>	<u>10,107,181</u>
	Number					
Number of persons	<u>2</u>	<u>3</u>	<u>6</u>	<u>6</u>	<u>2,520</u>	<u>2,325</u>

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

Executives mean executives, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

Performance Bonus is accounted for on payment basis.

The above information does not include particulars of directors, chief executives and executives of subsidiaries.

41. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost.

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

41.1 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).



Notes to the Consolidated Financial Statements

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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:

Carrying Value	2018			Total	
	Level 1	Level 2	Level 3		
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	742,071,830	-	742,071,830	-	742,071,830
Pakistan Investment Bonds	197,596,895	-	197,596,895	-	197,596,895
Ijarah Sukuks	9,733,258	-	9,733,258	-	9,733,258
Ordinary shares of listed companies	39,239,727	39,239,727	-	-	39,239,727
Ordinary shares of unlisted companies	1,594,289	-	-	1,594,289	1,594,289
Investment In mutual funds	2,410,974	2,410,974	-	-	2,410,974
Preference shares	125,936	39,072	-	86,864	125,936
Term Finance Certificates / Musharika and Sukuk Bonds	56,291,040	-	56,291,040	-	56,291,040
GoP Foreign Currency Bonds	24,946,934	-	24,946,934	-	24,946,934
Foreign Government Securities	1,791,502	-	1,791,502	-	1,791,502
Foreign Currency Debt Securities	1,457,561	-	1,457,561	-	1,457,561
Ordinary shares of a bank outside Pakistan	16,034,284	16,034,284	-	-	16,034,284
	<u>1,093,294,231</u>	<u>57,724,057</u>	<u>1,033,889,021</u>	<u>1,681,153</u>	<u>1,093,294,231</u>
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	247,917,421	-	-	-	-
Balances with other banks	13,049,725	-	-	-	-
Lendings to financial institutions	106,391,667	-	-	-	-
Investments					
Market Treasury Bills	69,967	-	-	-	-
Pakistan Investment Bonds	157,492,035	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	284,572	-	-	-	-
GoP Foreign Currency Bonds	2,859,233	-	-	-	-
Foreign Government Securities	25,866,066	-	-	-	-
Foreign Currency Debt Securities	532	-	-	-	-
Advances	926,339,789	-	-	-	-
Other Assets	170,017,572	-	-	-	-
	<u>1,650,288,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,743,582,810</u>	<u>57,724,057</u>	<u>1,033,889,021</u>	<u>1,681,153</u>	<u>1,093,294,231</u>
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	512,873,075	-	512,873,075	-	512,873,075
Forward government securities transactions	51,058,222	-	51,058,222	-	51,058,222



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	Carrying Value	2017			Total
		Level 1	Level 2	Level 3	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	822,486,201	-	822,486,201	-	822,486,201
Pakistan Investment Bonds	136,189,584	-	136,189,584	-	136,189,584
Ijarah Sukuks	11,193,314	-	11,193,314	-	11,193,314
Ordinary shares of listed companies	45,234,274	45,234,274	-	-	45,234,274
Ordinary shares of unlisted companies	982,989	-	-	982,989	982,989
Investments in mutual funds	3,045,173	3,045,173	-	-	3,045,173
Preference shares	118,726	31,862	-	86,864	118,726
Term Finance Certificates / Musharika and Sukuk Bonds	47,674,583	-	47,674,583	-	47,674,583
GoP Foreign Currency Bonds	17,161,595	-	17,161,595	-	17,161,595
Foreign Government Securities	548,574	-	548,574	-	548,574
Foreign Currency Debt Securities	1,629,918	-	1,629,918	-	1,629,918
Ordinary shares of a bank outside Pakistan	11,307,008	11,307,008	-	-	11,307,008
	<u>1,097,571,940</u>	<u>59,618,317</u>	<u>1,036,883,770</u>	<u>1,069,853</u>	<u>1,097,571,940</u>
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	160,405,083	-	-	-	-
Balances with other banks	26,992,279	-	-	-	-
Lending to financial instruments	26,916,113	-	-	-	-
Investments					
- Market Treasury Bills	148,246	-	-	-	-
- Pakistan Investment Bonds	169,476,489	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	285,880	-	-	-	-
- GoP Foreign Currency Bonds	2,309,720	-	-	-	-
- Foreign Government Securities	21,173,206	-	-	-	-
- Foreign Currency Debt Securities	424	-	-	-	-
Advances	740,344,934	-	-	-	-
Other assets	219,091,687	-	-	-	-
	<u>1,367,144,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,464,716,000</u>	<u>59,618,317</u>	<u>1,036,883,770</u>	<u>1,069,853</u>	<u>1,097,571,940</u>
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	345,224,842	-	345,224,842	-	345,224,842
Forward government securities transactions	55,515,458	-	55,515,458	-	55,515,458



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

41.2 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:

	2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Land & building (property and equipment)	48,000,422		48,000,422		48,000,422
Non-banking assets acquired in satisfaction of claims	3,796,527		3,796,527		3,796,527
	<u>51,796,949</u>	<u>-</u>	<u>51,796,949</u>	<u>-</u>	<u>51,796,949</u>
	2017				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Land & building (property and equipment)	26,530,208		26,530,208		26,530,208
Non-banking assets acquired in satisfaction of claims	2,779,193		2,779,193		2,779,193
	<u>29,309,401</u>	<u>-</u>	<u>29,309,401</u>	<u>-</u>	<u>29,309,401</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

42. SEGMENT INFORMATION

42.1 Segment Details with respect to Business Activities

	2018					Total
	Commercial & Retail Banking	Corporate Banking	Treasury	International Banking	Alteamaad & Islamic Banking	
	Rupees in '000					
Profit and loss account						
Net mark-up / return / profit	(26,862,520)	26,991,390	51,121,992	2,654,886	2,411,880	4,573,696
Inter segment revenue - net	72,329,938	(22,853,242)	(52,546,888)	-	(457,595)	3,527,787
Non mark-up / return / interest income	14,414,607	2,045,323	15,267,949	1,463,209	342,962	4,140,395
Total Income	59,882,025	6,183,471	13,843,053	4,118,094	2,297,247	12,241,879
Segment direct expenses	27,128,593	258,974	311,411	3,365,678	2,267,040	2,395,199
Inter segment expense allocation	-	-	-	-	-	21,753,597
Total expenses	27,128,593	258,974	311,411	3,365,678	2,267,040	24,148,796
Provisions	(1,237,477)	11,626,247	1,404,766	(730,549)	87,201	55,299
Profit / (loss) before tax	33,990,908	(5,701,750)	12,126,876	1,482,966	(56,994)	(11,962,216)
Statement of financial position						
Cash and bank balances	120,643,163	189,794	78,372,622	54,739,132	4,655,330	2,367,105
Investments	-	-	1,139,600,282	55,950,776	23,914,372	65,509,075
Net inter segment lending	1,321,328,484	-	-	-	-	79,158,614
Lendings to financial institutions	-	-	104,971,318	-	1,417,699	2,650
Advances - performing	341,125,237	500,111,019	17,990	46,230,666	26,741,353	11,739,346
Advances - non-performing	19,917,069	22,069,620	-	39,181,569	364,825	53,017,880
Provision against advances	(20,155,956)	(20,141,547)	-	(38,328,525)	(278,995)	(55,271,763)
Others	340,886,350	502,039,092	17,990	47,083,710	26,827,183	9,485,463
Total Assets	1,811,070,218	552,960,699	1,332,723,580	161,677,794	58,956,786	286,984,275
Borrowings	584,977	21,864,290	333,432,591	36,400,842	-	456,696
Deposits & other accounts	1,774,318,158	80,797,441	-	104,127,206	51,022,237	1,047,584
Net inter segment borrowing	-	404,994,021	969,156,574	20,257,431	6,079,071	-
Others	36,167,083	45,304,947	24,212,749	1,650,467	1,146,690	80,291,002
Total liabilities	1,811,070,218	552,960,699	1,326,801,914	162,435,945	58,247,998	81,795,282
Equity	-	-	5,921,665	(758,151)	708,789	205,188,993
Total Equity & liabilities	1,811,070,218	552,960,699	1,332,723,580	161,677,794	58,956,786	286,984,275
Contingencies & Commitments	579,228,336	203,590,159	-	27,725,864	-	100,394



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2017					Total
	Commercial & Retail Banking	Corporate Banking	Treasury	International Banking	Alteemad & Islamic Banking	
Profit and loss account						
Net mark-up / return / profit	(21,960,393)	17,924,212	49,559,295	2,436,994	1,441,277	54,604,280
Inter segment revenue - net	56,847,310	(13,064,754)	(42,235,043)	-	(287,673)	(1,259,840)
Non mark-up / return / interest income	13,152,946	1,352,972	12,126,878	1,393,465	291,633	32,115,231
Total Income	48,039,862	6,212,430	19,451,129	3,830,459	1,445,237	86,719,511
Segment direct expenses	26,098,606	249,817	270,122	3,366,455	1,673,000	34,003,696
Inter segment expense allocation	-	-	-	-	-	16,037,564
Total expenses	26,098,606	249,817	270,122	3,366,455	1,673,000	50,041,259
Provisions	337,043	(372,676)	810,790	228,421	-	534,732
Profit / (loss) before tax	21,604,213	6,335,289	18,370,217	235,583	(227,763)	36,143,520
Statement of financial position						
Cash and bank balances	102,673,726	164,676	39,395,919	37,542,919	5,829,332	187,397,362
Investments	-	-	1,176,079,110	42,592,446	17,854,897	1,296,537,064
Net inter segment lending	1,110,546,153	-	-	-	-	1,203,670,229
Lendings to financial institutions	-	-	26,914,763	-	-	26,916,113
Advances - performing	273,649,702	396,257,482	551,489	43,425,128	18,946,404	736,266,454
Advances - non-performing	23,572,722	14,387,210	-	31,749,423	191,794	121,941,324
Provision against advances	(21,666,832)	(11,049,034)	-	(31,260,949)	(191,794)	(117,862,842)
Others	275,555,593	399,595,658	551,489	43,913,602	18,946,404	740,344,934
Total Assets	67,780,786	132,845,192	957,227	2,894,215	1,176,005	260,256,406
Borrowings	1,556,556,258	532,605,526	1,243,898,508	126,943,182	43,806,638	3,715,122,108
Deposits & other accounts	475,230	17,791,634	337,760,707	3,751,662	-	360,105,674
Net inter segment borrowing	1,518,857,606	76,376,473	-	93,357,792	36,908,343	1,727,059,246
Others	-	306,777,774	862,380,188	27,956,592	6,555,675	1,203,670,229
Total liabilities	37,223,421	131,659,646	16,609,598	1,461,273	250,696	244,611,245
Equity	1,556,556,258	532,605,526	1,216,750,494	126,527,320	43,714,714	3,535,446,394
Total Equity & liabilities	1,556,556,258	532,605,526	1,243,898,508	126,943,182	43,806,638	3,715,122,108
Contingencies & Commitments	314,225,047	190,552,603	-	28,522,471	-	533,449,593

Profit and loss account

Net mark-up / return / profit
Inter segment revenue - net
Non mark-up / return / interest income
Total Income

Segment direct expenses
Inter segment expense allocation
Total expenses
Provisions
Profit / (loss) before tax

Statement of financial position

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

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

Contingencies & Commitments

314,225,047



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

42.2 Segment details with respect to geographical locations

	2018					Total
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	
Profit and loss account						
Net mark-up / return/profit	58,072,516	536,323	47,754	637,571	1,597,159	60,891,324
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	36,182,220	669,513	214,100	282,268	326,344	37,674,444
Total Income	94,254,736	1,205,836	261,854	919,839	1,923,503	98,565,768
Segment direct expenses	32,156,202	1,497,549	604,635	912,033	556,476	35,726,895
Inter segment expense allocation	21,753,597	-	-	-	-	21,753,597
Total expenses	53,909,799	1,497,549	604,635	912,033	556,476	57,480,491
Provisions	11,944,705	(738,013)	(181)	(127,712)	126,688	11,205,488
Profit / (loss) before tax	28,400,232	446,301	(342,600)	135,518	1,240,339	29,879,789
Statement of financial position						
Cash and bank balances	204,558,218	20,945,364	7,576,196	25,721,371	2,165,997	260,967,146
Investments	1,228,052,678	29,217,423	-	8,201,033	19,503,372	1,284,974,506
Net inter segment lendings	20,257,430	-	-	-	3,975,816	24,233,246
Lendings to financial institutions	106,391,667	-	-	-	-	106,391,667
Advances - performing	879,519,319	9,079,486	559,157	5,373,523	31,434,126	925,965,612
Advances - non-performing	94,626,300	32,270,195	1,069,071	1,776,756	4,808,641	134,550,963
Provision against advances	(95,482,803)	(32,019,278)	(1,074,372)	(1,781,391)	(3,818,940)	(134,176,786)
Others	878,662,816	9,330,403	553,857	5,368,888	32,423,828	926,339,789
Total Assets	2,659,015,567	62,050,564	8,242,845	39,880,195	58,930,338	2,828,119,502
Borrowings	356,338,554	3,603,168	-	-	32,797,674	392,739,396
Deposits & other accounts	1,906,137,835	45,178,156	5,529,140	28,434,398	26,033,097	2,011,312,625
Net inter segment borrowing	-	10,200,719	2,551,012	11,481,515	-	24,233,246
Others	187,104,431	709,736	162,693	215,603	580,475	188,772,940
Total liabilities	2,449,580,820	59,691,779	8,242,845	40,131,516	59,411,246	2,617,058,207
Equity	209,434,746	2,358,784	-	(251,321)	(480,908)	211,061,295
Total Equity & liabilities	2,659,015,567	62,050,564	8,242,845	39,880,195	58,930,338	2,828,119,502
Contingencies & Commitments	782,918,889	5,496,677	2,338,069	1,785,079	18,106,040	810,644,753

Rupees in '000.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2017					Total
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	
	Rupees.in '000					
Profit and loss account						
Net mark-up/return/profit	51,987,256	851,309	20,491	509,596	1,235,628	54,604,280
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	30,689,008	572,499	197,827	289,649	366,246	32,115,231
Total Income	82,676,264	1,423,808	218,318	799,245	1,601,874	86,719,511
Segment direct expenses	30,402,430	1,411,557	609,732	1,084,076	495,901	34,003,696
Inter segment expense allocation	16,037,564	-	-	-	-	16,037,564
Total expenses	46,439,994	1,411,557	609,732	1,084,076	495,901	50,041,259
Provisions	189,843	44,351	(46,692)	401,290	(54,061)	534,732
Profit / (loss) before tax	36,046,427	(32,100)	(344,722)	(686,120)	1,160,035	36,143,520
Statement of financial position						
Cash & Bank balances	148,941,529	16,166,940	6,420,016	3,213,388	12,655,489	187,397,362
Investments	1,252,832,162	24,097,548	-	5,447,393	14,159,960	1,296,537,064
Net inter segment lendings	27,956,592	4,340,270	-	-	-	32,296,862
Lendings to financial institutions	26,916,113	-	-	-	-	26,916,113
Advances - performing	692,458,273	10,144,236	1,713,225	5,691,929	26,258,790	736,266,454
Advances - non-performing	89,498,868	26,202,230	890,956	1,518,568	3,830,701	121,941,324
	(86,241,394)	(26,237,772)	(895,370)	(1,521,368)	(2,966,938)	(117,862,842)
Others	695,715,747	10,108,695	1,708,812	5,689,129	27,122,554	740,344,934
Total Assets	256,798,508	2,491,402	139,689	451,360	375,449	260,256,406
	2,409,160,652	57,204,855	8,268,516	14,801,270	54,313,452	2,543,748,741
Borrowings	356,354,012	3,365,212	-	-	386,450	360,105,674
Deposits & other accounts	1,632,859,086	50,704,189	5,925,067	4,666,427	32,904,476	1,727,059,246
Net inter segment borrowing	-	-	2,106,363	9,703,131	20,487,368	32,296,862
Others	243,001,271	677,186	237,086	368,857	326,848	244,611,245
Total liabilities	2,232,214,369	54,746,588	8,268,516	14,738,415	54,105,142	2,364,073,027
Equity	176,946,283	2,458,268	-	62,855	208,311	179,675,714
Total Equity & liabilities	2,409,160,652	57,204,855	8,268,516	14,801,270	54,313,452	2,543,748,741
Contingencies & Commitments	504,927,122	3,964,277	2,877,045	4,504,647	17,176,502	533,449,593



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

43. TRUST ACTIVITIES

43.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan with collaboration with the major commercial banks with a view to extend financial help by way of markup 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 President's of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEFD (Infra 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 Qarzeh-Hasna Fund, Rs. 50 million contributed by Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the endowment fund in investments stands at Rs. 672 million as at December 31, 2018 (2017: Rs. 637 million).

44. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel.

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

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

	2018						2017								
	Key management personnel	Directors	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit) (N.I.D.A A/c)	Provident Fund	Other related parties	Directors management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit) (N.I.D.A A/c)	Provident Fund	Other related parties
Balances with other banks															
In current accounts	-	-	-	16,836	-	-	-	-	-	-	11,927	-	-	-	-
In deposit accounts	-	-	-	8,780	-	-	-	-	-	-	663,943	-	-	-	-
	-	-	-	25,616	-	-	-	-	-	-	675,870	-	-	-	-
Investments															
Opening balance	-	-	4,970,863	-	-	-	-	-	-	4,362,391	-	-	-	-	-
Investment made during the year	-	-	-	-	-	-	-	-	-	600,000	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	8,472	-	-	-	-	-
Closing balance	-	-	4,970,863	-	-	-	-	-	-	4,970,863	-	-	-	-	-
Provision for diminution in value of investments	-	-	3,793,405	-	-	-	-	-	-	3,771,845	-	-	-	-	-
	-	-	1,177,458	-	-	-	-	-	-	1,200,018	-	-	-	-	-
Advances															
Opening balance	145,369	-	3,314,085	-	-	-	-	-	185,830	3,297,168	-	-	-	-	-
Addition during the year	20,234	-	-	-	-	-	-	-	11,782	18,750	-	-	-	-	-
Repaid during the year	(27,052)	-	(208,178)	-	-	-	-	-	(19,962)	(1,833)	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment	84,416	-	-	-	-	-	-	-	(32,281)	-	-	-	-	-	-
Closing balance	222,967	-	3,105,907	-	-	-	-	-	145,369	3,314,085	-	-	-	-	-
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Rupees in '000



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018						2017							
	Key management personnel	Directors	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit) (N.I.D.A.A/c)	Provident Fund	Other related parties	Key management personnel	Directors	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit) (N.I.D.A.A/c)	Provident Fund	Other related parties
Debts due by Companies in which Directors of the Bank is interested as Directors														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	33,958	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	(39,503)	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	222,608	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	217,063	-	-	-	-	-	-	-
Other Assets														
Interest / mark-up accrued	-	-	-	-	-	-	-	-	2,082,323	-	-	-	-	-
Borrowings														
Opening balance	-	-	87,920	-	-	-	-	-	-	49,649	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	38,271	-	-	-	-
Settled during the year	-	-	(49,672)	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	38,249	-	-	-	-	-	-	87,920	-	-	-	-
Deposits and other accounts														
Opening balance	15,614	62,048	-	1,248	10,300,000	514,539	12,749,309	-	-	-	1,363	8,800,000	1,035,959	13,137,045
Received during the year	28,447	485,525	-	4,300,229	28,800,000	16,639,785	14,268,653	-	37,321	430,392	3,781,571	10,300,000	2,744,580	1,808,033
Withdrawn during the year	(33,087)	(454,455)	-	(4,300,391)	(28,000,000)	(16,695,996)	(14,532,023)	-	(27,127)	(408,116)	(3,781,686)	(8,800,000)	(3,266,000)	(2,195,769)
Adjustment	(242)	(12,429)	-	-	-	-	-	-	765	10,933	-	-	-	-
Closing balance	10,733	80,688	-	1,086	11,100,000	458,328	12,465,939	-	15,614	62,048	1,248	10,300,000	514,539	12,749,309

* Adjustment due to retirement / appointment of directors and changes in key management executives.



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

	2018					2017				
	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund / Others	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund / Others
Income										
Mark-up / return / interest earned	-	-	153,652	-	-	-	-	57	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	17,496	-	-	-	-	349
Fee and commission income	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-	46,109	134,870	-	-
Expense										
Mark-up / return / interest paid	-	-	937	767,837	1,687,126	-	-	1,346	682,279	1,149,697
Transaction Fee paid to company in which director of the bank is interested as director	-	-	-	-	5,874	-	-	-	-	7,613
Remuneration to key management executives including charge for defined benefit plan	394,088	-	-	-	-	498,567	-	-	-	-

Rupees in '000

44.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 9,223 million (2017: Rs. 8,621 million) for the year ended December 31, 2018. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 376,907 million (2017: Rs. 279,764 million), Rs. 757,071 million (2017: Rs. 644,002 million) and Rs. 671,296 million (2017: Rs. 360,571 million) respectively and income earned on advances and profit paid on deposits amounted to Rs. 25,959 million (2017: Rs. 19,620 million) and Rs. 30,942 million (2017: Rs. 25,686 million) respectively.



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45. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

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

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

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

i. Minimum Capital Requirement (MCR):

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

ii. Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 11.90%.

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The bank has a leverage ratio of 3.51% in the year December 31, 2018 (2017: 3.54%) and Tier-1 capital of Rs 128,017 Million (2017: Rs 105,083 Million).

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

1. Tier 1 Capital (going-concern capital)

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

2. Tier 2 Capital (gone-concern capital)

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

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

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

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

The paid-up capital of the Group for the year ended December 31, 2018 stood at Rs. 21,275 billion (2017 : Rs. 21,275 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 16.69% (2017: 16.48%).

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



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For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
Minimum Capital Requirement		
Paid-up capital	150,957,373	129,231,852
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	128,017,400	105,083,149
Eligible Additional Tier 1 Capital	-	-
Total Eligible Tier 1 Capital	128,017,400	105,083,149
Eligible Tier 2 Capital	45,126,290	39,135,659
Total Eligible Capital (Tier 1 + Tier 2)	173,143,690	44,218,808
Risk Weighted Assets		
Credit Risk	798,236,578	658,251,418
Market Risk	81,385,782	69,816,926
Operational Risk	157,972,625	147,035,017
Total	1,037,594,984	875,103,361
Common Equity Tier 1 Capital Adequacy ratio	12.34%	12.01%
Tier 1 Capital Adequacy Ratio	12.34%	12.01%
Total Capital Adequacy Ratio	16.69%	16.48%
Leverage Ratio		
Tier-1 Capital	128,017,400	105,083,149
Total Exposures	3,650,341,045	2,967,407,682
Leverage Ratio	3.51%	3.54%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	949,424,482	984,828,182
Total Net Cash Outflow	560,346,109	580,370,735
Liquidity Coverage Ratio	169%	170%
Net Stable Funding Ratio		
Total Available Stable Funding	1,745,679,890	1,531,580,508
Total Required Stable Funding	544,123,198	419,276,880
Net Stable Funding Ratio	321%	365%

45.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time, is placed on NBP's website. The link to the full disclosure is available at <https://www.nbp.com.pk/blsd/>

46. 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 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 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.



Notes to the Consolidated Financial Statements

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

As another initiative with the objective of strengthening the existing business activities of Bank, the Business Process Review and COSO implementation project has been conducted. This will streamline the operating model, improving regulatory compliance, and also improving the customer service and product/ service deployment. This also includes aligning the existing documentation with improved risk based processes, which in turn will act as a tool for effective operations, improve MIS reporting, and efficient risk informed decision making.

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.

46.1 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.

46.2 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:

46.2.1 Credit Risk

Credit risk is the potential that a client or counterparty will fail to meet its contractual obligations to the Bank in accordance with agreed terms. Bank lending activities account for most of the Bank's credit risk, however, other sources of credit risk also exist throughout the undertakings of the Bank. The activities include loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. NBP has a separate setup that ensures the effectiveness of the framework for assessment/ measurement, review and reporting of credit risk.

Bank has a clear policy to structure the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential clients, counterparties, groups and to various industry segments. This risk is analyzed on an on-going basis and is subject to frequent review. Vis-à-vis, Bank ensures that credit exposures are adequately backed by sufficient collaterals otherwise different risk mitigating measures are taken to restrict overall credit risk exposure within Bank's tolerance limits.

Credit approval and review process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions, Bank also has an Internal Ratings System based on multiple risk factors. The analysis helps to provide an insight of borrowers' current and future financial health along with repaying capabilities, henceforth, creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, group, or industry is assessed frequently and accordingly limit setting is tailored in accordance with the changing socio-economic / market conditions.

Standardized Approach is used to calculate capital charge for credit risk as per Basel regulatory framework, with simple approach for credit risk mitigation. Moreover, stress testing for credit risk is carried out on regular basis to estimate the possible impact of increase in non-performing loans of the Bank and downward shift in its sub-categories.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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

46.2.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	1,417,699	-	-	-	-	-
Private	105,150,118	27,092,263	176,150	176,150	176,150	176,150
	106,567,817	27,092,263	176,150	176,150	176,150	176,150

46.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Cement	450,704	630,506	19,453	26,756	19,453	26,756
Chemical	323,812	375,180	323,812	375,180	323,812	323,812
Construction	1,633,739	1,633,738	1,633,739	1,633,738	1,633,738	1,633,738
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,820,112	2,193,347	667,725	656,831	667,725	656,831
Sugar	835,681	848,326	396,799	409,444	396,799	409,444
Textile	651,768	662,726	651,768	662,726	651,768	662,726
Transport	7,267,013	10,078,942	-	-	-	-
Financial	7,114,844	3,676,537	90,888	389,104	82,121	380,337
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Miscellaneous	665,814	525,554	25,992	525,554	25,995	525,554
Leather & Tanneries	5,288	5,288	5,288	5,288	5,288	5,288
Food and Personal Care Products	66,660	129,820	11,184	41,184	11,184	33,684
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology & Communication	178	255,252	178	11,072	178	11,072
Vanaspoti & Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil & Gas Marketing	95,986	325,470	687	325,470	687	325,469
Cable & Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts & Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	36,697,825	31,556,128	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper & Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,081	7,081
Metal Products	500,000	-	-	-	-	-
	59,484,729	54,252,119	5,182,817	6,417,651	5,174,053	6,350,020

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	42,259,958	39,530,190	7,620	7,620	7,620	7,620
Private	17,224,771	14,721,928	5,175,197	6,410,031	5,166,433	6,342,395
	59,484,729	54,252,119	5,182,817	6,417,651	5,174,053	6,350,020



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

46.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Agriculture, Forestry, Hunting & Fishing	49,666,062	49,967,467	4,402,110	5,435,319	3,177,683	3,465,715
Mining & Quarrying	22,745	22,783	17,801	11,060	17,801	11,060
Textile	110,834,171	93,495,262	39,189,567	32,234,393	38,864,424	30,599,373
Chemical & Pharmaceuticals	6,412,431	6,755,774	3,063,802	1,956,208	3,003,942	1,953,583
Cement	26,342,584	12,447,164	2,065,304	2,674,729	2,065,304	2,631,224
Sugar	38,302,949	34,891,297	12,582,927	3,572,808	12,154,881	3,310,592
Footwear and Leather garments	2,360,408	1,994,575	807,322	732,627	807,322	622,141
Automobile & Transportation Equipment	7,106,454	3,564,107	977,325	968,602	962,608	953,441
Electronics & Electrical Appliances	6,409,085	5,795,837	2,285,963	2,627,475	2,229,713	2,526,225
Construction	12,381,574	10,856,194	5,123,880	4,571,907	5,085,105	4,562,689
Power (electricity), Gas, Water, Sanitary	276,911,048	195,999,302	3,773,655	3,916,994	3,773,655	3,916,994
Wholesale and Retail Trade	43,646,055	28,667,943	4,305,951	8,863,749	4,166,539	8,803,809
Exports / Imports	763,528	362,366	383,341	-	375,841	-
Transport, Storage and Communication	59,970,440	58,650,290	9,406,544	7,753,107	8,117,092	6,719,295
Financial	27,235,071	18,442,390	452,815	386,713	290,018	141,626
Services	12,931,115	13,968,856	2,407,848	6,064,009	2,404,385	4,264,600
Individuals	149,014,052	136,959,497	7,077,943	7,539,448	4,900,135	5,369,339
Flour Mills	2,959,383	2,686,389	543,893	648,244	493,115	569,410
Rice processing & Trading	28,657,001	19,872,642	4,574,543	4,701,462	4,545,340	4,647,737
Food and tobacco	8,115,938	5,448,976	2,700,660	2,713,336	2,663,201	2,671,940
Fertilizer	19,677,499	19,149,874	2,899,669	3,150,330	2,899,008	3,149,436
Metal Products	64,875,984	59,797,961	19,090,063	15,626,261	17,967,424	15,626,261
Telecommunication	13,209,014	11,112,418	1,074,241	449,032	1,074,241	449,032
Public Sector Commodity Operations	67,222,362	53,414,545	73,785	73,785	73,785	73,785
General traders	-	-	-	-	-	-
Engineering	13,499,460	3,212,590	1,373,475	1,633,063	1,340,601	1,633,062
Glass and Ceramics	2,328,244	1,820,220	422,595	565,724	422,595	565,573
Media	2,324,999	1,559,883	151,457	151,457	151,457	151,457
Paper & Board	1,709,687	1,466,504	700,655	419,382	588,257	419,382
Plastic products	2,156,121	2,259,733	945,564	183,943	923,077	166,155
Sports goods	552,477	506,291	141,282	145,982	141,282	142,457
Others	2,918,633	3,058,646	1,534,985	2,170,174	1,289,850	1,230,381
	1,060,516,575	858,207,777	134,550,963	121,941,324	126,969,680	111,347,775

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	353,000,659	279,763,540	2,526,128	3,082,946	2,526,128	3,082,946
Private	707,515,916	578,444,237	132,024,835	118,858,377	124,443,552	108,264,828
	1,060,516,575	858,207,777	134,550,963	121,941,324	126,969,680	111,347,775



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46.2.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	Rupees in '000	
Agriculture, Forestry, Hunting & Fishing	223,213	365,294
Mining & Quarrying	1,720,601	-
Textile	7,187,737	8,375,084
Chemical & Pharmaceuticals	14,423,521	13,629,690
Cement	5,922,193	12,518,662
Sugar	629,349	903,142
Footwear and Leather garments	22,890	88
Automobile & Transportation Equipment	2,702,508	3,042,094
Electronics & Electrical Appliances	2,200,308	3,312,059
Construction	5,946,949	6,575,800
Power (electricity), Gas, Water, Sanitary	162,518,899	146,026,550
Wholesale and Retail Trade	4,026,616	1,833,733
Exports / Imports	15,640	81,369
Transport, Storage and Communication	17,106,207	19,028,395
Financial	9,863,537	16,527,903
Insurance	-	3,151
Services	505,198,201	241,549,989
Individuals	322,799	2,509,575
Fertilizer	2,112,212	1,159,713
Metal Products	2,621,921	4,487,685
Telecommunication	10,829,417	6,769,766
Public Sector Commodity Operations	1,145,176	79,100
Rice processing & Trading	145,000	-
Food and Tobacco	194,405	516,426
Glass and Ceramics	628,694	859,156
Paper & Board	657,319	739,564
Engineering	50,207,516	39,170,933
Plastic Products	265,048	307,879
Others	1,806,877	3,076,791
	<u>810,644,753</u>	<u>533,449,593</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.

	2018	2017
	Rupees in '000	
Credit risk by public / private sector		
Public/ Government	669,902,699	360,571,294
Private	140,742,054	172,878,299
	<u>810,644,753</u>	<u>533,449,593</u>

46.2.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 832,299 million (2017: Rs. 499, 590 million) are as following:

	2018	2017
	Rupees in '000	
Funded	252,217,265	212,256,057
Non Funded	580,082,098	287,334,226
Total Exposure	<u>832,299,363</u>	<u>499,590,283</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 866,076 million (2017: Rs. 623,029 million)



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Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision
	Rupees in '000			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	2,522,432	2,522,432	2,522,432	2,522,432
Total	2,522,432	2,522,432	2,522,432	2,522,432

46.2.1.6 Advances - Province/Region-wise Disbursement & Utilization

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

Province/Region	2017					
	Utilization					
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Balistan
	Rupees in '000					
Punjab	245,614,187	4,352,760	200,000	-	-	-
Sindh	6,682,731	311,928,198	2,754,263	17,967,346	-	855,833
KPK including FATA	-	-	8,016,053	-	-	-
Balochistan	-	-	-	7,597,115	-	-
Islamabad	1,149,044	-	2,055,719	-	38,035,216	-
AJK including Gilgit-Balistan	4,087,832	-	-	-	-	4,087,832
Total	651,296,297	253,445,962	13,026,035	25,564,461	38,035,216	4,943,665



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46.2.2 Market Risk

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

The Group's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related Policies/ Procedures with the objective to mitigate market risk through the engagement of various strategies in relation with prices, rates, and spread movements of its earning assets, liabilities and trading activities. Group has also worked on devising improved criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored through pilot run with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel regulatory framework. Whereas, Stress testing for Interest Rate, Equity Prices, and Exchange Rates risks related to market and non-market based activities is carried out regularly to estimate the impact over the capital of the Group.

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

46.2.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	-	-	-	-	-	-
Balances with other banks	-	-	-	-	-	-
lendings to financial institutions	-	-	-	-	-	-
Investments	1,131,243,232	153,731,274	1,284,974,506	609,564,028	686,973,036	1,296,537,064
Advances	-	-	-	-	-	-
Fixed assets	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	1,131,243,232	153,731,274	1,284,974,506	609,564,028	686,973,036	1,296,537,064



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

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

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

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

Impact of 1% change in interest rates on

- Profit and loss account
- Other comprehensive income

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	7,254,690	4,418,739	6,620,688	3,923,630

46.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	Total	2018										Non-interest bearing financial instruments	
		Exposed to Yield/ Interest risk					Rupees in '000						
		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			
0.0%	247,917,421	24,610,265	-	-	-	-	-	-	-	-	-	-	223,307,156
3.8%	13,049,725	4,208,279	899,549	800,616	703,935	-	-	-	-	-	-	-	6,437,346
10.2%	106,391,667	104,773,968	100,000	100,000	-	-	1,417,699	-	-	-	-	-	-
7.3%	1,284,974,506	230,232,984	518,838,296	74,571,877	33,866,946	105,006,548	58,004,390	76,305,713	112,598,318	10,325,819	-	-	65,223,613
7.6%	926,339,789	151,546,936	328,999,639	211,071,981	83,179,891	25,062,427	19,889,769	65,981,322	26,297,797	13,079,525	-	-	1,230,501
0.0%	93,184,051	526,925	-	4,330	166,162	11,472	-	-	-	-	-	-	92,425,161
	2,671,857,159	515,899,357	848,837,485	286,548,804	117,916,935	130,080,448	79,311,858	142,287,034	138,896,116	23,405,345	-	-	388,673,777

On-balance sheet financial instruments

	2018										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			
Assets												
Cash and balances with treasury banks	9,944,178	-	-	-	-	-	-	-	-	-	-	9,944,178
Balances with other banks	392,739,396	19,111,863	10,036,682	252,115	137,518	-	-	113,425	3,312,140	-	-	6,437,346
Lending to financial institutions	2,011,312,625	1,094,811,942	59,125,358	46,068,888	2,903,261	2,364,941	4,136,245	-	32,999	-	-	773,839,619
Investments	121,077	-	-	32,640	-	88,437	-	-	-	-	-	-
Advances	169,713,068	306,390	7,869	3,154	12,635	3,562	4,862	-	-	-	-	169,373,926
Other assets	2,583,830,344	1,454,893,985	47,141,904	69,169,909	46,356,797	3,053,413	2,456,940	4,254,532	3,345,139	-	-	953,157,723
Liabilities												
Bills payable	88,026,815	938,994,628	801,695,580	217,378,895	71,560,138	127,027,034	76,854,918	138,032,502	135,550,977	23,405,345	-	564,483,946
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet gap	716,304,478	-	-	-	-	-	-	-	-	-	-	716,304,478

Off-balance sheet financial instruments

Documentary credits and short-term trade-related transactions

Commitments in respect of:

- forward foreign exchange contracts
- forward government securities transactions
- Commitments for acquisition of:
- operating fixed assets
- Other commitments

Off-balance sheet gap

	874,459,988	73,156,645	77,010,199	10,140,762	12,152,096	-	-	-	-	-	-	-	716,304,478
Total Yield/Interest Risk Sensitivity Gap	(865,837,982)	878,705,779	227,519,657	69,408,041	127,027,034	76,854,918	138,032,502	135,550,977	23,405,345	151,820,532	-	-	962,486,804
Cumulative Yield/Interest Risk Sensitivity Gap	(865,837,982)	12,867,797	240,387,454	309,795,496	436,822,530	513,677,448	651,709,950	787,260,927	810,666,271	962,486,804	-	-	-



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Effective Yield/Interest rate	Total	2017										Non-interest bearing financial instruments
		Exposed to Yield/Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
On-balance sheet financial instruments												
Assets												
0.0%	160,405,083	16,497,665	-	-	-	-	-	-	-	-	-	143,907,418
3.0%	26,992,279	6,110,844	11,972,068	-	50,000	-	-	-	-	-	43,000	7,753,671
6.0%	26,916,113	26,416,088	500,025	-	-	-	-	-	-	-	-	-
6.7%	1,296,537,046	486,910,046	314,067,301	31,520,848	33,674,183	83,795,544	85,493,141	97,651,046	86,578,718	9,961,799	17,402,404	66,884,437
6.9%	740,344,934	265,786,109	211,888,525	95,100,428	34,412,690	19,190,307	27,485,744	56,517,915	-	11,196,394	-	1,364,417
0.0%	164,211,915	892,349	-	162,037	-	-	-	-	-	-	-	163,157,329
	2,415,407,388	802,613,301	538,427,919	127,243,476	68,689,406	103,033,851	112,978,885	154,168,961	104,024,123	21,158,194	-	383,067,272
Liabilities												
0.0%	13,195,055	-	-	-	-	-	-	-	-	-	-	13,195,055
5.8%	360,105,674	326,677,540	24,762,948	6,284,508	88,683	411,265	19,507	381,394	1,479,829	-	-	-
3.7%	1,727,039,246	971,150,613	42,773,832	44,182,631	72,215,630	21,938,690	1,489,643	333,326	20,000	-	-	572,934,881
7.6%	36,799	5,643	-	5,775	26,017	19,363	-	-	-	-	-	-
0.0%	229,735,110	799,197	-	-	-	-	-	-	-	-	-	228,935,913
	2,330,151,884	1,298,627,349	67,542,424	50,472,915	72,330,330	22,369,318	1,509,150	734,719	1,499,829	-	-	815,063,849
	85,255,503	(496,014,048)	470,885,495	76,770,561	(3,640,924)	80,666,533	111,469,735	133,434,242	102,524,294	21,158,194	-	(431,998,578)
	418,493,125	-	-	-	-	-	-	-	-	-	-	418,493,125
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
	59,393,684	13,512,763	43,201,818	2,445,420	233,683	-	-	-	-	-	-	-
	56,665,125	(7,475,000)	64,140,125	-	-	-	-	-	-	-	-	-
Commitments in respect of:												
- forward foreign exchange contracts												
- forward government securities transactions												
Commitments for acquisition of:												
- operating fixed assets	826,727	708,975	31,953	23,777	62,022	-	-	-	-	-	-	-
Other commitments	23,115	-	-	1,900	7,715	13,500	-	-	-	-	-	-
	535,401,776	6,746,738	107,373,896	2,471,097	303,420	13,500	-	-	-	-	-	418,493,125
Off-balance sheet gap												
Total Yield/Interest Risk Sensitivity Gap	(489,267,310)	578,259,391	79,241,658	(3,337,504)	80,680,033	111,469,735	133,434,242	102,524,294	21,158,194	(13,505,453)		
Cumulative Yield/Interest Risk Sensitivity Gap	(489,267,310)	88,992,081	168,233,739	164,896,235	245,576,268	357,046,003	510,480,245	613,004,539	634,162,732	620,657,280		
46.2.2.6 Reconciliation of Financial Assets with Total Assets												
Total Financial Assets as per note 46.2.2.5	2,671,857,159	2,415,407,388										
Add: Non-Financial Assets	54,338,676	32,671,800										
Fixed assets	856,900	1,150,437										
Intangible assets	-	-										
Deferred tax assets	76,833,521	54,879,772										
Other assets	132,029,097	96,044,491										
	2,803,886,256	2,511,451,879										
Total assets as per statement of financial position	2,583,830,344	2,330,151,884										
Total Financial Liabilities as per note 46.2.2.5	6,945,767	1,624,281										
Deferred tax liabilities	2,048,850	1,624,281										
Other liabilities	8,994,617	1,624,281										
	2,592,824,961	2,331,776,165										
Total liabilities as per statement of financial position												



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46.2.3 Operational Risk

The Bank may suffer losses due to its exposure to operational risk. To mitigate, a comprehensive Operational Risk Management (ORM) framework has been developed to aligning the Bank's operations with sound practices for operational risk management set by Basel framework. ORM framework provides guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Bank as well as strategic projects and business change initiatives. Bank realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, Bank has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis.

As per regulatory framework, Bank calculates capital charge for its operational risk using Basic Indicator Approach.

46.2.4 Information Security Risk

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

The Bank, hence, classifies Information as a critical asset and declares the related information storing, processing and transmitting facilities/systems as Information Assets. Information may exist in many forms across the organization such as digital as well as non-digital (paper based). Hence, the Risk Management Group is responsible to provide a framework for information security risk management of information assets to the respective stakeholders. The information security risk management includes risk identification, risk analysis, risk evaluation and risk treatment plans. Currently, ISD-RMG is working on Information Security Risk Management Framework (ISRMF) v1.0 and Cyber Security Management Framework (CSMF) v1.0.

In addition to ISRMF and CSMF, there are other relevant information security domains in which the Information Security Division is responsible for governance and/or execution such as Information/Cyber Security awareness and trainings, Digital Payments Security and Internet/Mobile Banking Security reviews. The respective division is taking care of all such aspects by ensuring the information security in NBP while taking in loop the other relevant stakeholder groups such as Information Technology Group and Payment Services & Digital Banking Group. The Information Security Division of Risk Management Group has also revised the Information Security Policy v3.0 in 2018 which is applicable Bank wide for information security assurance. The division reviews the policy matters related to the information security of NBP's international branches as and when contacted by the International Banking Group. The security reviews of various applications are conducted in coordination with the respective business group (owner) as well as the information technology group (custodian). The establishment of Security Operations Center (SOC) to monitor Information Security operations is one of the many strategic initiatives that this division is working on.

46.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks through generation of various MIS reports on periodic basis. The source of these reports includes, but not limited to, the Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRB), Downward Shift in NPL Categories, Reputational Risk, Strategic Risk, etc.

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

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

46.2.6 Liquidity Risk

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

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

ALCO is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs /requirements. Bank has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Bank calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters [(LA/ D&B), Gross ADR (net of refinancing from SBP)] besides other internal liquidity measures like total approved securities to deposit, etc.



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

	2018													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets														
Cash and balances with treasury banks	247,917,421	247,804,031	112,170	-	-	1,220	-	-	-	-	-	-	-	-
Balances with other banks	13,049,725	7,125,383	1,686,740	726,892	297,066	619,168	800,616	579,334	124,600	-	-	-	-	-
Lending to financial institutions	104,391,667	-	101,773,968	3,000,000	-	100,000	100,000	-	-	-	1,417,699	-	-	-
Investments	1,284,974,506	5,268,226	219,044,293	895,273	4,643,594	511,535,944	74,571,877	45,232,953	27,366,493	108,754,181	74,038,674	77,483,170	128,453,908	
Advances	926,339,789	281,289,173	706,551	9,274,236	33,651,759	63,456,853	78,451,706	50,239,901	41,077,691	44,208,705	61,587,924	141,942,693	104,486,510	
Fixed assets	54,338,676	67,599	-	932	484	846,389	2,768,717	829,322	1,517,222	48,003,759	10,594	219,869	73,699	
Intangible assets	856,900	361	-	-	-	81,956	81,886	81,887	104	-	855	47,298	562,554	
Other assets	170,017,572	15,184,894	1,508,194	950,863	34,517,528	33,512,227	13,437,028	1,596,276	1,586,284	52,268,530	11,958,391	2,780,926	-	
	2,803,886,256	556,739,659	324,831,916	14,975,844	39,974,020	609,849,115	58,771,766	170,211,829	98,559,674	71,672,394	253,235,175	149,014,137	222,474,056	233,576,671
Liabilities														
Bills payable	9,944,178	9,944,178	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	392,739,396	3,807,347	209,012,046	133,854,642	13,101,617	9,838,857	9,273,007	10,036,662	114,598	137,518	-	113,425	3,312,140	
Deposits and other accounts	2,011,312,625	1,671,217,257	15,516,485	16,567,114	97,132,770	20,674,327	41,762,510	60,123,706	34,859,415	16,165,004	10,684,701	9,897,854	15,465,016	
Liabilities against assets subject to finance lease	121,077	-	-	-	932	484	846,389	2,768,717	829,322	1,517,222	48,003,759	10,594	219,869	
Deferred tax liabilities	6,945,767	(3,904)	-	-	-	(1,142)	-	-	(5,229)	-	-	88,437	(4,087,385)	
Other liabilities	171,761,918	51,302,313	234,708	34,624	83,016	23,884,327	36,506,836	10,260,759	807,520	28,690,897	3,873,414	7,921,943	7,355,200	
	2,592,824,961	1,736,267,191	224,765,239	150,456,380	110,337,403	54,397,510	87,542,211	80,421,147	35,803,294	17,084,533	39,513,115	13,859,705	19,413,000	22,966,233
Net assets	211,061,295	(1,179,527,533)	100,068,677	(135,480,536)	(70,363,383)	555,451,605	(28,770,445)	89,790,682	62,756,380	54,587,861	213,722,059	(35,154,432)	203,061,056	210,610,438
Share capital	21,275,131													
Reserves	53,442,643													
Unappropriated profit	76,239,599													
Surplus/(Deficit) on revaluation of assets	59,262,177													
Non-controlling interest	841,745													
	211,061,295													



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

	2018									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	247,917,421	149,243,117	3,045,009	45,715,194	45,715,194	4,198,907	-	-	-	-
Balances with other bank	13,049,725	10,645,625	899,549	800,616	703,934	-	-	-	-	-
Lending to financial institutions	106,391,667	104,773,968	100,000	100,000	-	1,417,699	-	-	-	-
Investments	1,284,974,506	229,851,387	518,838,296	74,571,877	73,308,516	108,754,182	74,038,674	77,495,845	112,598,318	15,517,410
Advances	926,339,789	268,857,214	153,883,978	63,526,738	87,820,432	44,222,486	61,600,705	141,942,693	65,399,030	39,086,513
Fixed assets	54,338,676	68,571	21,279	8,518	892,627	2,768,127	836,186	1,471,695	206,820	48,064,904
Intangible assets	856,900	361	70	-	81,990	81,887	82,742	47,298	562,553	-
Other assets	170,017,572	33,885,515	53,759,963	12,181,685	3,182,561	52,268,529	11,958,391	2,411,299	369,629	-
	2,803,886,256	797,325,708	730,548,144	196,904,629	211,705,254	212,294,117	149,934,397	223,368,831	179,136,350	102,668,827
Liabilities										
Bills payable	9,944,178	4,582,707	346,059	263,711	4,467,402	284,298	-	-	-	-
Borrowings	392,739,396	359,775,652	19,111,863	10,036,682	252,115	137,518	-	113,425	3,312,140	-
Deposits and other accounts	2,011,312,625	600,584,974	87,037,730	281,557,087	288,413,100	249,499,932	248,713,086	254,280,249	1,226,467	-
Liabilities against assets subject to finance lease	121,077	-	-	-	32,640	-	88,437	-	-	-
Deferred tax liabilities	6,945,767	(3,904)	(142)	-	(35,229)	-	-	-	(4,087,385)	11,072,427
Other liabilities	171,761,918	44,730,352	65,064,835	11,800,339	2,324,938	28,690,897	3,873,414	7,921,943	3,677,600	3,677,600
	2,592,824,961	1,009,669,782	171,560,346	303,657,819	295,454,966	278,612,645	252,674,937	262,315,617	4,128,822	14,750,027
Net assets	211,061,295	(212,344,073)	558,987,798	(106,753,191)	(83,749,712)	(66,318,528)	(102,740,540)	(38,946,786)	175,007,528	87,918,800
Share capital	21,275,131									
Reserves	3,442,643									
Unappropriated profit	76,239,599									
Surplus/(Deficit) on revaluation of assets	59,262,177									
Noncontrolling interest	841,745									
	211,061,295									

Rupees in '000



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46.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, commodity price, security price, FX rate etc. and is often simply called the "underlying". Derivatives include forwards, futures, swaps, options and structured financial products that have one or more of the characteristics of forwards, futures, swaps and options. Future and options 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 contracts. Once acquired, the Bank will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate & Cross currency swaps, Forward rate agreements, Foreign currency options etc.

Moreover, the Bank may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

47. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. Nil per share (2017: Rs. Nil per share) amounting to Rs. Nil (2017: Rs. Nil) at its meeting held on February 22, 2019 for approval of the members at the annual general meeting to be held on March 28, 2019. These consolidated financial statements do not reflect this appropriation as explained in note 5.21.

48. CORRESPONDING FIGURES

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

49. GENERAL

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

50. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 22, 2019 by the Board of Directors of the Bank.

Arif Usmani
President

Abdul Wahid Sethi
Chief Financial Officer

A. Akbar Sharifzada
Director

Muhammad Naeem
Director

Muhammad Imran Malik
Director



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000

Sr. No.	Name & Address of the borrower	Name of Individuals/ Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1	Punjab Printing (Pvt) Limited 16-KM Multan Road, Lahore	Khalil Hashmat 352025-926909-1 Misbah Khalil 35202-5738845-2	Hashmat Ali Khalil Hashmat	30,000	22,077	169	52,246	-	-	10,865	10,865
2	Heavy Mechanical Complex	Government Institution	N/A	406,818	130,921	-	537,739	-	-	130,921	130,921
3	Mr. Muhammad Idrees (Saiban Loan)	Muhammad Idrees 36302-4970934-9	Ch. Mian Khan	598	211	651	1,460	-	-	598	598
4	M/S Gas Linkers	Muhammad Nasir Khan Lodhi 36302-7256811-5 Naeem Ghous Qureshi 36302-1324272-5 Naveed Ahmad Lodhi 36302-5005741-5 Mst. Ahmedi Begum 36302-4508710-8	Mr. Nisar Khan Lodhi Mr. Shabbir Ahmad Qureshi Mr. Nisar Khan Lodhi Mr. Mian Jaffar Hussain	9,780	6,564	150	16,494	-	-	3,587	3,587
5	Javaid Trading Company, Mian Channu	M Aslam Khan 33202-7173874-5	Ibrahim Khan	239	-	2,198	2,437	-	-	645	645
6	Jamal Naveed Paper Mills	M Naveed Mughal 36103-7416082-7 Farhana Naveed 36104-4752462-0	Jamal Din M Naveed Mughal	111	-	2,096	2,207	-	-	809	809
7	Ramay Model Ginnig Factory, Vehari	M. Anwar Ramay 36603-7495795-9 Mst. Safia Sultana 450086729 Passport Mst Shehnaz Anwar 36603-9580703-6	Muhammad Ali M Ashraf Ramay M Anwar Ramay	-	296	1,992	2,288	-	-	1,026	1,026



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

Sr. No.	Name & Address of the borrower	Name of Individuals/ Partners/Directors with NIC No.	Fathers/Husband's name.	Rupees in '000							
				Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
8	AlMadina CNG GT.Road Hasanabdal	Masood Pervaiz Kiani 37405-0788862-7 Mst. Farzana Bibi 37405-2185846-2 Mst. Fahmeeda Begum 37405-7426440-6 Mst. Iffat Perveen 37405-0512356-6	Raja Allah Dad Raja Muhammad Hanif Raja Zumarad Khan Liaqat Ali Kiani	10,220	3,164	3,580	16,964	-	-	867	867
9	Abdul Ghaffar Malik R/O H# 868, Ward "A" Garibabad Nawabshah	Abdul Ghaffar Malik 45402-5736585-5	Abdul Ghaffar Malik	-	-	967	967	-	-	967	967
10	Umair & Company S.I.E.Gujrat	Adnan Naseem 34201-7253478-7 Umair Adnan 34201-5402368-9	Muhammad Naseem Sethi Adnan Naseem	10,699	823	3,581	15,103	-	-	1,023	1,023
11	Hashim Zaman Ward no 24 gojra mzd	Hashim Zaman 82201-7990351-9	Shah Jahan	651	-	-	651	651	-	-	651
12	Sultan Mehmood	Sultan Mehmood 82202-6530878-1	Mati ullah Awan	682	-	-	682	682	-	-	682
13	M/s Medica International 94-C , Small Industrial Estate, Sialkot	Qaiser Anwar Sheikh 34603-8885476-3 Waseem Anwar Sheikh 34603-3020187-5 Usman Ali 34603-6584707-1 Nadia Shama 34603-8449854-4	Muhammad Anwar Sheikh Muhammad Anwar Sheikh Muhammad Suleman Qaiser Anwar Sheikh	2,300	-	2,248	4,548	-	-	1,626	1,626



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

Rupees in '000

Sr. No.	Name & Address of the borrower	Name of Individuals/ Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
14	M/S Nawaz Steel Furnace	Muhammad Nawaz 34502-8668970-9 Muhammad Niaz 34502-0883942-9 Muhammad Shahid 34502-1102673-1	Muhammad Saddique Muhammad Saddique Muhammad Saddique	-	-	4,814	4,814	-	-	3,610	3,610
15	Kh. Atif Raza	Kh. Atif Raza 34601-0795218-1 Khalida Perveen 34601-5543248-2	Kh. Farasat Ullah Khan Kh. Atif Raza	900	-	4,041	4,941	-	-	3,539	3,539
16	Geo Oil Mills Pvt Ltd Plot No.2C, 3rd Floor, Sunset Lane No.01 D.H.A Phase II Ext. Karachi	Qazi Amjad Abid Abbasi 42301-1470554-5 Mrs. Husna Amjad Kazi 42301-2513839-0 Arshad Mirza 42301-9618970-5	Qazi Abdul Majeed Abid Qazi Amjad Abid Abbasi Iqbal Mirza	49,995	20,053	36	70,084	-	-	9,084	9,084
17	Dadabhoy Cement Industries Ltd. Office # 4, Second Floor, Plot # 30, Ittehad Lane # 12, Phase VII, Defence Housing Authority, Karachi	Mr.Muhammad Hussain Dadabhoy 517-45-174895 Mrs.Yasmin Dadabhoy 517-91-453214 Mrs.Humaira Dadabhoy 517-88-228760 Mr.Muhammad Amin Dadabhoy 517-89-228761 Mr.Fazal Karim Dadabhoy 517-94-396898 Mrs.Razia Hussain Dadabhoy 517-47-228759	Abdul Ghani Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy Muhammad Hussain Dadabhoy	7,303	-	30,977	38,280	-	-	30,977	30,977
18	Niaz Hussain	Niaz Hussain 32103-0299511-3	Faiz Muhammad	502	43	-	545	502	-	43	545
Total				530,798	184,152	57,500	772,450	1,835	-	200,187	202,022



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

ISLAMIC BANKING BUSINESS

Annexure - II

The bank is operating 192 (2017: 169) Islamic banking branches and no Islamic banking windows at the end of the 2018 year.

	Note	2018	2017
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		4,649,968	3,019,664
Balances with other banks		4,319	2,809,667
Due from financial institutions	1	1,417,699	-
Investments	2	23,914,372	17,854,897
Islamic financing and related assets - net	3	26,827,280	18,946,404
Fixed assets		275,435	195,431
Intangible assets		-	-
Due from Head Office		-	-
Other assets		1,998,587	1,149,381
		<u>59,087,660</u>	<u>43,975,444</u>
LIABILITIES			
Bills payable		228,382	126,099
Due to financial institutions		-	-
Deposits and other accounts	4	51,022,121	36,908,343
Due to Head Office		3,920,506	5,120,098
Subordinated debt		-	-
Other liabilities		1,065,012	257,113
		<u>56,236,021</u>	<u>42,411,653</u>
NET ASSETS		<u>2,851,639</u>	<u>1,563,791</u>
REPRESENTED BY			
Islamic Banking Fund		2,200,000	1,700,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		708,789	91,926
Unappropriated/ Unremitted loss	6	(57,150)	(228,135)
		<u>2,851,639</u>	<u>1,563,791</u>

The profit and loss account of the Bank's Islamic banking branches for the year ended 2018 is as follows:

	Note	2018	2017
		Rupees in '000	
Profit / return earned	7	3,117,907	2,021,472
Profit / return expensed	8	(1,423,091)	(954,510)
Net Profit / return		<u>1,694,816</u>	<u>1,066,962</u>
Other income			
Fee and Commission Income		285,190	254,425
Dividend Income		-	-
Foreign Exchange Income		19,466	1,113
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other Income		39,140	36,095
Total other income		<u>343,796</u>	<u>291,633</u>
Total Income		<u>2,038,612</u>	<u>1,358,595</u>
Other expenses			
Operating expenses		(2,008,278)	(1,586,730)
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		<u>(2,008,278)</u>	<u>(1,586,730)</u>
Profit / (loss) before provisions		30334	(228135)
Provisions and write offs - net		(87,484)	-
Profit / (loss) before taxation		(57,150)	(228,135)
Taxation		-	-
Profit / (loss) after taxation		<u>(57,150)</u>	<u>(228,135)</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018			2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000						
1 Due from Financial Institutions						
Secured	-	-	-	-	-	-
Unsecured	-	-	-	-	-	-
Bai Muajjal Receivable from State						
Bank of Pakistan	1,417,699	-	1,417,699	-	-	-
	<u>1,417,699</u>	<u>-</u>	<u>1,417,699</u>	<u>-</u>	<u>-</u>	<u>-</u>

This represent Bai Muajjal agreement with Government of Pakistan and carries profit rate 12.82% per annum.

	2018				2017			
	Cost/ Amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying Value	Cost/Amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying Value
Rupees in '000								
2 Investments by segments:								
Federal Government Securities:								
Ijarah Sukuks	9,740,000	-	(56,116)	9,683,884	11,123,388	-	69,926	11,193,314
	<u>9,740,000</u>	<u>-</u>	<u>(56,116)</u>	<u>9,683,884</u>	<u>11,123,388</u>	<u>-</u>	<u>69,926</u>	<u>11,193,314</u>
Non Government Debt Securities								
Listed	600,000	-	5,211	605,211	802,083	-	22,000	824,083
Unlisted	12,996,390	(130,807)	759,694	13,625,277	5,968,307	(130,807)	-	5,837,500
	<u>13,596,390</u>	<u>(130,807)</u>	<u>764,905</u>	<u>14,230,488</u>	<u>6,770,390</u>	<u>(130,807)</u>	<u>22,000</u>	<u>6,661,583</u>
Total Investments	<u>23,336,390</u>	<u>(130,807)</u>	<u>708,789</u>	<u>23,914,372</u>	<u>17,893,778</u>	<u>(130,807)</u>	<u>91,926</u>	<u>17,854,897</u>

	Note	2018	2017
		Rupees in '000	
3 Islamic financing and related assets			
Ijarah	3.1	436,069	307,253
Murabaha	3.2	2,024,071	1,221,869
Musawama		69,867	-
Diminishing Musharaka		11,971,073	5,137,063
Istisna		525,434	-
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advances against Islamic assets (Ijarah, Murbaha, DM, Istasna)		3,580,044	3,972,013
Gross Islamic financing and related assets		<u>27,106,558</u>	<u>19,138,198</u>
Less: provision against Islamic financings			
- Specific		(278,995)	(191,794)
- General		(283)	-
		<u>(279,278)</u>	<u>(191,794)</u>
Islamic financing and related assets - net of provision		<u>26,827,280</u>	<u>18,946,404</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

3.1 Ijarah

	2018						
	Cost			Depreciation			Book Value as at 31 Dec 2018
	At January 1, 2018	Additions / (deletions)	As at Dec 31, 2018	At January 1, 2018	Charge for the year	As at Dec 31, 2018	
	Rupees in 000						
Plant & Machinery	451,451	287,508	738,959	216,383	140,209	356,592	382,367
Vehicles	78,867	74,669	153,536	6,682	93,152	99,834	53,702
Total	530,318	362,177	892,495	223,065	233,361	456,426	436,069

	2017						
	Cost			Accumulated Depreciation			Book Value as at 31 Dec 2017
	At January 1, 2017	Additions / (deletions)	As at Dec 31, 2017	At January 1, 2017	Charge for the year	As at Dec 31, 2017	
	Rupees in 000						
Plant & Machinery	293,016	158,435	451,451	134,325	82,058	216,383	235,068
Vehicles	13,706	65,161	78,867	3,014	3,668	6,682	72,185
Total	306,722	223,596	530,318	137,339	85,726	223,065	307,253

	2018				2017			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
Ijarah rental receivables	159,136	323,779	-	482,915	147,059	174,391	-	321,450

3.2 Murabaha

	Note	2018	2017
		Rupees in '000	
Murabaha financing	3.2.1	2,024,071	1,221,869
Advances for Murabaha		2,102,566	3,011,394
		<u>4,126,637</u>	<u>4,233,263</u>
3.2.1 Murabaha receivable - gross	3.2.2	2,112,680	1,299,670
Less: Deferred murabaha income	3.2.4	25,372	40,769
Profit receivable shown in other assets		63,237	37,032
Murabaha financings		<u>2,024,071</u>	<u>1,221,869</u>



Notes to the Consolidated Financial Statements For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
3.2.2	The movement in Murabaha financing during the year is as follows:	
Opening balance	1,299,670	552,789
Sales during the year	9,048,097	5,536,029
Adjusted during the year	8,235,087	4,789,148
Closing balance	2,112,680	1,299,670
3.2.3	9,048,097	5,536,029
Murabaha sale price		
Murabaha purchase price	8,757,480	5,441,783
	290,617	94,246
3.2.4	Deferred murabaha income	
Opening balance	40,769	34,612
Arising during the year	268,985	78,664
Less: Recognised during the year	284,382	72,507
Closing balance	25,372	40,769

4 Deposits

	2018			2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
..... Rupees in '000						
Customers						
Current deposits	16,286,985	60,170	16,347,155	11,241,325	106,479	11,347,804
Savings deposits	26,885,268	-	26,885,268	18,162,262	-	18,162,262
Term deposits	2,608,640	-	2,608,640	2,593,239	-	2,593,239
	45,780,893	60,170	45,841,063	31,996,826	106,479	32,103,305
Financial Institutions						
Current deposits	505,685	-	505,685	587,293	-	587,293
Savings deposits	126,897	-	126,897	217,745	-	217,745
Term deposits	4,548,476	-	4,548,476	4,000,000	-	4,000,000
	5,181,058	-	5,181,058	4,805,038	-	4,805,038
	50,961,951	60,170	51,022,121	36,801,864	106,479	36,908,343



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
4.1 Composition of deposits		
- Individuals	23,931,004	15,521,947
- Government / Public Sector Entities	16,962,630	10,547,389
- Banking Companies	5,060,664	4,604,908
- Non-Banking Financial Institutions	120,394	200,130
- Private Sector	4,947,429	6,033,969
	<u>51,022,121</u>	<u>36,908,343</u>

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 26,139 million.

	2018	2017
	Rupees in '000	
5 Charity Fund		
Opening Balance	469	-
Additions during the period		
Received from customers on account of delayed payment	1,059	469
	<u>1,528</u>	<u>469</u>
Payments / utilization during the period		
Education	469	-
Closing Balance	<u>1,059</u>	<u>469</u>

No charity amount paid exceeds Rs. 0.5 million during the year. Further, there is no charity payments to related parties.

	2018	2017
	Rupees in '000	
6 Islamic Banking Business Unappropriated Profit		
Opening Balance	(228,135)	(381,998)
Add: Islamic Banking loss for the period	(57,150)	(228,135)
Less: Transferred / Remitted to Head Office	228,135	381,998
Closing Balance	<u>(57,150)</u>	<u>(228,135)</u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Rupees in '000	
7 Profit/Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	1,663,027	631,707
Investments	1,428,950	1,039,236
Placements	16,977	172,429
Others (Bai Muajjal)	8,953	178,100
	3,117,907	2,021,472
8 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	965,496	666,837
Others (General Account)	457,595	287,673
	1,423,091	954,510

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 27 during the Year & 17 as at December 31, 2018)

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 pool includes 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

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

Sector	2018	2017
	Percentage	
Fertilizer	3.14%	2.00%
Textile	3.40%	2.30%
Fuel & energy	45.13%	38.60%
Leasing/Modarbas	0.59%	1.00%
Sugar	4.03%	5.70%
Cement	13.67%	4.10%
Gas	3.13%	5.00%
Financial	1.81%	7.30%
Federal Government	19.20%	27.90%
Others	5.89%	6.10%
Total	100.0%	100.0%

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.

	2018
	Rupees in '000
Mudarib Share	
Gross Distributable Income	2,194,658
Mudarib (Bank) share of profit before Hiba	912,074
Mudarib Share in %age	42%
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	912,074
Hiba from bank's share to depositors	143,502
Hiba from bank's share to depositors in %age	16%

Profit rates

During the year the average profit rate earned by NBP Islamic Banking Group is 7.14% and the profit rate distributed to the depositors is 4.24%.



Pattern of Shareholding As of December 31, 2018

Description	No. of Shareholders	No. of Shares	per%
Government			
M/s. Federal Government of Pakistan	1	6,238,919	0.29
M/s. Pakistan Atomic Energy Commission	1	679,424	0.03
Privatisation Commission of Pak Ministry of Prvt. & Invest.	1	1,656,788	0.08
Associated Companies, Undertakings and related parties			
First Credit & Investment Bank Limited	1	70,000	0.00
State Bank Of Pakistan	1	1,599,845,728	75.20
Mutual Funds	29	14,372,125	0.68
Director, Chief Executive, and their spouse and minor children			
Farid Malik	1	1,000	0.00
Muhammad Imran Malik	1	11,270	0.00
Muhammad Naeem	1	23,500	0.00
Shahida Naeem	1	23,000	0.00
Executives	3	18,745	0.00
Public Sector Companies and Corporations	11	90,716,372	4.26
Banks, Development finance institutions, non-banking finance companies, insurance companies, takaful companies, and modarabas	20	21,657,341	1.02
General Public			
Local	11,824	119,740,488	5.63
Foreign	60	780,007	0.04
Foreign Companies	78	192,201,290	9.03
Others	199	79,477,029	3.74
Totals	12,233	2,127,513,026	100.00

Shareholders holding five percent or more voting rights in the public sector company.

State Bank Of Pakistan	1,599,845,728	75.20
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# Of Shareholders	Shareholdings' Slab	Total Shares Held
1245	1 to 100	48,202
2044	101 to 500	684,009
1512	501 to 1000	1,269,223
3559	1001 to 5000	9,343,340
2124	5001 to 10000	14,266,689
525	10001 to 15000	6,548,088
737	15001 to 50000	19,746,623
187	50001 to 100000	13,746,873
212	100001 to 500000	45,795,171
29	500001 to 1000000	21,980,347
42	1000001 to 5000000	86,628,492
9	5000001 to 10000000	63,149,815
5	10000001 to 50000000	98,633,426
2	50000001 to 100000000	145,827,000
1	100000001 & above	1,599,845,728
12,233		2,127,513,026

Trading of Shares during the year 2018

During the year 2018, no shares were traded by the Directors or Executives. For the purpose of clause 5.6.1 (a) and 5.6.1 (d) of the Rule Book of the Pakistan Stock Exchange (PSX), the expression "executive" means the CEO and key management i.e. Group Chiefs/Group Heads and direct report to the CEO.



Notice Of 70th Annual General Meeting

Notice is hereby given that 70th Annual General Meeting ("AGM") of National Bank of Pakistan (the "Bank") will be held on Thursday the 28th March, 2019 at 02:30 P.M. (PST), at Crystal Ball Room, Marriott Hotel, Karachi.

The following business will be transacted in the meeting:

Ordinary Business:

1. To confirm minutes of the Annual General Meeting of Shareholders held on 29th March, 2018, at Karachi.
2. To receive, consider and adopt the Annual Audited Financial Statements of National Bank of Pakistan and Consolidated Accounts of National Bank of Pakistan and its Subsidiaries for the year ended 31st December, 2018, together with the Directors' & Auditors' Reports thereon.
3. To appoint auditors for the year ending 31st December, 2019 and fix their remuneration. The Board of Directors has recommended re-appointment of Messrs Grant Thornton Anjum Rahman Chartered Accountants and Messrs Deloitte Yousuf Adil, Chartered Accountants to be the auditors of the Bank for the year ending 31st December, 2019, at the same fee as paid to the retiring auditors.

Special Business:

4. To consider and approve compensation package of President of the Bank, as recommended by the Board of Directors.
5. To transact any other business with the permission of the Chairman.

Karachi

Dated: March 07, 2019

By Order of the Board

S.M. Ali Zamin

Secretary (Board)





Notes:

- i) The Share Transfer Books of the Bank shall remain closed from 21-03-2019 to 28-03-2019 (both days inclusive). Transfers received at Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block "B", SMCHS, Main Shakra-e-Faisal, Karachi – 74400, the Bank's Registrar and Share Transfer Agent, at the close of the business on 20-03-2019 will be treated in time for the purpose of attending the meeting.
- ii) A member eligible to attend and vote at the AGM is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan, State Bank of Pakistan and any Corporation(s), being a member of the Bank, may nominate any person as its representative to attend the AGM under authority of a Power of Attorney or a Board of Directors' Resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank's Registrar / Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block "B", SMCHS, Main Shakra-e-Faisal, Karachi – 74400, not later than 48 hours before the time of holding the AGM.
- iii) CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
 - a. For Attending the Meeting:
 - In case of Individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his Original Computerized National Identity Card ("CNIC") or original Passport at the time of attending the meeting,
 - In case of corporate entity, the Original or duly authenticated Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
 - b. For Appointing Proxies:
 - In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
 - The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be furnished with the proxy form.
 - The proxy shall produce his /her original CNIC or original passport at the time of the Meeting.
 - In case of corporate entity, the Original or duly authenticated Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs Central Depository Company of Pakistan Limited.
- iv) CDC Account Holders and Sub-account Holders, whose Registration details are available in Share Book Detail Report shall have to produce respective Original Computerized National Identity Cards (CNICs) or Original Passports for the purpose of identification to participate in the Annual General Meeting. Such Account Holders and Sub Account Holders should know the CNIC Numbers and CDC Account Number of the respective partner and should bring the same along with them. In case of Proxy, the person should positively attach the attested copy of the CNIC or Passport. In case of corporate member's representative, usual documents should be accompanied for the same purpose.



v) Members are requested to immediately notify any change in their addresses to the Bank's Registrar and Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited.

vi. COLLECTION OF THE UNCLAIMED / UNDELIVERED DIVIDEND WARRANTS/BONUS SHARES CERTIFICATES LYING WITH THE SHARE REGISTRAR:

As directed by SECP vide letter # SMD/CIW/Misc./14/2009 dated October 11, 2011, shareholders are requested to please contact / coordinate with Bank's Share Registrar for collection of unclaimed / undelivered Dividend Warrants/Bonus Share Certificates.

vii. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:

In pursuance of the directions given by SECP vide SRO 787 (1)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email addresses on a standard request form which is available at the Bank's website i.e. www.nbp.com.pk and send the said form duly filled in and signed along with copy of his / her CNIC / Passport to the Bank's Share Registrar. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional. In case you do not wish to avail this facility please ignore this notice and, in such case, Annual Financial Statements will be sent at your registered address on CD as approved in 68th Annual General Meeting held on 30th March, 2017.

STATEMENT OF MATERIAL FACTS.

This statement sets out material facts concerning the special business given in agenda item No.04 of the Notice, to be transacted in the 70th AGM of NBP's shareholders to be held on 28th March, 2019.

Item No.4

TO CONSIDER AND APPROVE COMPENSATION PACKAGE OF PRESIDENT OF THE BANK, AS RECOMMENDED BY THE BOARD OF DIRECTORS.

Mr. Arif Usmani was appointed President of the Bank in terms of Section 11 (3) (a) of The Banks (Nationalization) Act, 1974, by the Federal Government for a term of three (03) years with immediate effect vide Finance Division (GoP) Notification No.F.1(33)/Bkg-III/2018-228, dated 12-2-2019. Mr. Arif Usmani assumed the charge as President on 13-02-2019. Accordingly, in terms of Section 11(3) (a) of the Banks (Nationalization) Act, 1974, the Board in its 292nd meeting held on February 22, 2019 has recommended the compensation package of Mr. Arif Usmani as President of the Bank, in terms of Section 11(3)(a) of The Banks (Nationalization) Act, 1974 to the General Meeting of the Shareholders for approval.

The shareholders are requested to approve the compensation package of Mr. Arif Usmani, President of the Bank as recommended by Board of Directors by passing the following resolution:

"RESOLVED THAT the following compensation package of Mr. Arif Usmani, President of the Bank, as recommended by the Board of Directors of the Bank with effect from the date he assumed the office of the President, NBP, be and is hereby approved in terms of Section 11 (3) (a) of the Banks (Nationalization) Act, 1974:



Head	Compensation Package and Benefits
Gross Salary	Rs. 4,500,000/- per month
Variable Salary / Annual Performance Bonus	The performance bonus of the President will be based on Key Performance Indicators in comparison with the peer commercial banks, as approved by the shareholders.
Utilities, Security Arrangements and Domestic Helper	1) Utilities (electricity, gas, water) at actual. 2) Two (2) telephone(s) at residence / Two (2) Mobile Phone(s) and monthly bills at actual. 3) Security arrangement to be provided by the Bank. Deployment of four (04) security guards i.e. two security guards on 12 hours shift basis at residence. 4) Salary of five (05) persons for domestic help (total PKR 90,000/- per month on reimbursement basis).
House Loan	The incumbent President has opted not to avail this facility.
Residential Accommodation	The incumbent President has opted not to avail this facility
House Furnishing Allowance	Amount equivalent to one gross salary payable once during tenure of the Presidency.
Vehicles and Fuel	Two vehicles (one 4,700 cc and one 3,500cc) owned and maintained by the Bank, with the option to purchase one car at 10% of the cost or at WDV, whichever is higher, at separation or on expiry of the contract. Fuel for the bank provided vehicles at actual. In view of the proposed austerity measures to be taken, the current President / CEO, NBP has opted to avail two (02) vehicles from the pool instead of buying new vehicle. These vehicles shall be maintained by the Bank, with the option to purchase one vehicle at 10% of the cost or at WDV, whichever is higher, at separation or on expiry of the contract. Fuel for bank provided vehicles at actual.
Drivers	Two drivers to be provided by the Bank or alternatively, salary of two drivers to be reimbursed @ PKR 25,000/- per driver per month.
Leave Entitlement	Annual leave of 30 days and casual / sick leave 18 days per annum. Annual leave may be accumulated upto 90 days, which is encashable on the basis of last drawn gross salary.
Generator Facility at Residence	As per Bank's policy for SEVPs.
Official Travel & Expenses Reimbursement	As per Bank's policy for SEVPs.
Medical	Full-fledged Medical / Dental coverage for self and dependent family members within Pakistan on reimbursement basis at actual. No post separation or retirement medical / dental facility will be available.
Group / Life Insurance	Life Insurance coverage to be provided by the Bank (amount Rs. 30 million) during the tenure of contract. 50% yearly premium to be paid by him and remaining 50% yearly premium to be paid by the Bank during the tenure of contract only.
Terminal Benefits	Gratuity to be paid at one-month last drawn gross salary for each year of service. Six (06) months or more to be treated as a completed year of service.
Club Membership	Membership (entry fee) for two clubs of incumbent's choice to be paid by the Bank. Subscription / other charges of 3 clubs to be paid by the Bank. The incumbent President has opted not to avail the facility of club membership (entry fee).
Annual Salary and Benefits Review	The package shall remain fixed during the tenure of the contract.
Separation from Bank's Service	In case of Termination of Contract: Three months' notice period or gross salary in lieu thereof to be paid by the Bank. In case of Resignation: Three months' notice period or gross salary in lieu thereof to be paid to the Bank."

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



70th Annual General Meeting Of National Bank Of Pakistan

Form of Proxy

Folio No. _____ or CDC participant identity no. _____

CDC A/C No. _____

I/We _____

of _____

being a member(s) of the National Bank of Pakistan, holding shares no. _____

hereby appoint _____ of _____

also a member of the National Bank of Pakistan (Folio No. _____) or failing him/her of _____

also a member of National Bank of Pakistan (Folio No. _____) as my/our Proxy to vote for me/us and on my/our behalf at the 70th Annual General Meeting of National Bank of Pakistan, to be held at 2:30 pm on Thursday, March 28, 2019 at Crystal Ballroom Marriot Hotel Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2019

Witnesses:

1. Name: _____

Address: _____

CNIC No. _____

Affix Revenue Stamp
of Five Rupees

Signature _____

2. Name: _____

Address: _____

CNIC No. _____

(Signature should agree with the
specimen signature registered with
the Bank)

NOTE:

A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. No person shall act as a Proxy, who is not a member of the bank except that the Government of Pakistan/State Bank of Pakistan/Corporation may appoint a person who is not a member.
2. The instrument appointing a Proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than the Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a Proxy, together with the power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited with our Registrar/Transfer Agents, Messrs Central Depository Company of Pakistan Limited, CDC House, 99-B, Block "B", SMCHS, Main Shahrahe-Faisal, Karachi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one Proxy, and more than one instruments of Proxy are deposited by a member with the Bank, all such instruments of Proxy shall be rendered invalid.

B. For CDC Account Holder:

1. The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
3. The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan/State Bank of Pakistan/corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with Proxy Form to the Bank.



نیشنل بینک آف پاکستان کا 70 واں سالانہ اجلاس عام

نمائندے کا فارم (پروکسی فارم)

فولیو 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 (فولیو نمبر.....) کا رکن بھی ہے یا..... کے..... کی ناکامی کی صورت میں جو کہ نیشنل بینک آف پاکستان
 (فولیو نمبر.....) کا رکن بھی ہے کو میرے/ ہمارے نمائندے کے طور پر نامزد کرتا ہوں/ کرتے ہیں تاکہ وہ نیشنل بینک آف پاکستان کے 70 ویں سالانہ اجلاس عام میں میری/ ہماری طرف
 سے اور میرے/ ہمارے لیے ووٹ کرے۔ یہ اجلاس عام 28 مارچ 2019، بروز جمعرات بوقت صبح 2:45 بجے، کرسٹل بال روم، میریٹ ہوٹل، کراچی میں اور اس کے کسی التواء پر منعقد ہوگا۔

اسے 2019ء کے..... کو دستخط کیا گیا:

پانچ روپے کی
ریویو اینڈ اسٹیٹمنٹ

گواہان:

1- نام:.....

پتہ:.....

سی این آئی سی نمبر.....

2- نام:.....

پتہ:.....

سی این آئی سی نمبر.....

دستخط.....

(دستخط بینک کے ساتھ درج نمونے کے دستخط سے لازم آہنگ ہونے چاہئیں)

نوٹ

(الف) عمومی:

- 1- رکن جو اجلاس میں شریک ہونے اور ووٹ ڈالنے کا اہل ہے وہ اپنا نمائندہ مقرر کرنے کا بھی اہل ہے تاکہ وہ نمائندہ اس کی جگہ شریک ہو اور ووٹ ڈالے۔ کوئی بھی شخص جو بینک کا رکن نہیں ہے اس کو نمائندہ کے طور پر مقرر نہیں کیا جاسکتا (حکومت پاکستان یا بینک دولت پاکستان/ کارپوریشن اس سے مستثنیٰ ہیں)۔
- 2- نمائندے کی تقرری کا معاہدہ / وثیقہ تحریری طور پر اختیار دیے گئے رکن یا اس کے کسی مختیار کار/ وکیل کی جانب سے دستخط ہونا چاہیے۔ اگر رکن کوئی کارپوریشن ہے (حکومت پاکستان اور بینک دولت پاکستان کے علاوہ) تو اس کی عمومی مہر معاہدے / وثیقہ پر چسپاں ہونی چاہیے۔
- 3- نمائندے کی تقرری کا معاہدہ، مختار نامہ کے ساتھ، اگر کوئی ہے، جس کے تحت اُسے دستخط کیا گیا ہے یا اس کی کوئی توثیقی طور پر سند یافتہ نقل، اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل ہمارے رجسٹرار / ٹرانسفر ایجنٹس، میسرز سینٹرل ڈپازٹری کمیٹی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی میں لازماً جمع کروائی جائے۔
- 4- اگر ممبر ایک سے زیادہ نمائندے مقرر کرتا ہے اور بینک کے ساتھ رکن کی جانب سے ایک سے زیادہ نمائندے کا معاہدہ۔ وثیقہ جمع کروایا گیا ہے تو ایسے تمام نمائندے کے معاہدات ناجائز ٹھہرا دیے جائیں گے۔

(ب) سی ڈی سی اکاؤنٹ ہولڈر کے لیے:

- (i) پروکسی فارم دو افراد کی جانب سے گواہی فراہم کیے گئے ہوں گے جن کے نام، پتے اور سی این آئی سی نمبر فارم پر درج ہوں گے۔
- (ii) پروکسی فارم کے ساتھ سی این آئی سی کی تصدیق شدہ نقول یا مستفید ہونے والے مالکان کے پاسپورٹ کی تصدیق شدہ نقول پیش کیے جائیں گے۔
- (iii) اجلاس کے وقت پروکسی اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرے گا/گی۔
- (iv) حکومت پاکستان / بینک دولت پاکستان / کاروباری ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ یا وکالت نامہ مع نمونے کے دستخط پروکسی فارم کے ساتھ بینک کی طرف لازماً کروانے ہوں گے۔



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