

# LET'S PULL TOGETHER FOR G R E E N E R P A K I S T A N



National Bank of Pakistan نیشٹن بیپتک آف پاکستان

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ANNUAL REPORT 2018

National Bank of Pakistan نیشندل بیبیک آف پاکستان

# ANNUAL REPORT 2018

# A Legacy Of **Excellence**

Debit Card Digital Debit Advance Salary Digital Banking Kisan Agriculture Prepaid Remittance Aitemaad Autofinance 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 servic <mark>e</mark> 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"

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.
Von Bank of the Year Award-2015
n 2013 with the growing popularity of Islamic Banking, NBP successfully lounched its brand 'Aitemaad' Islamic Banking

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Success

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Decades of Service

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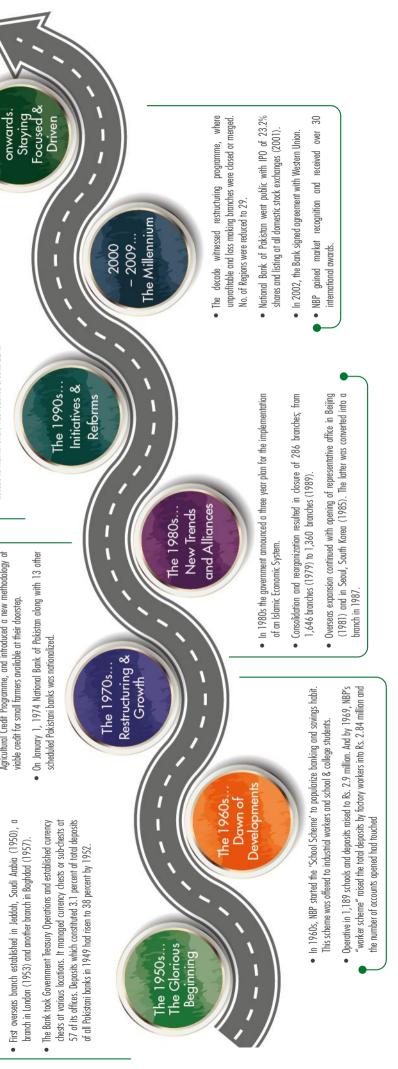
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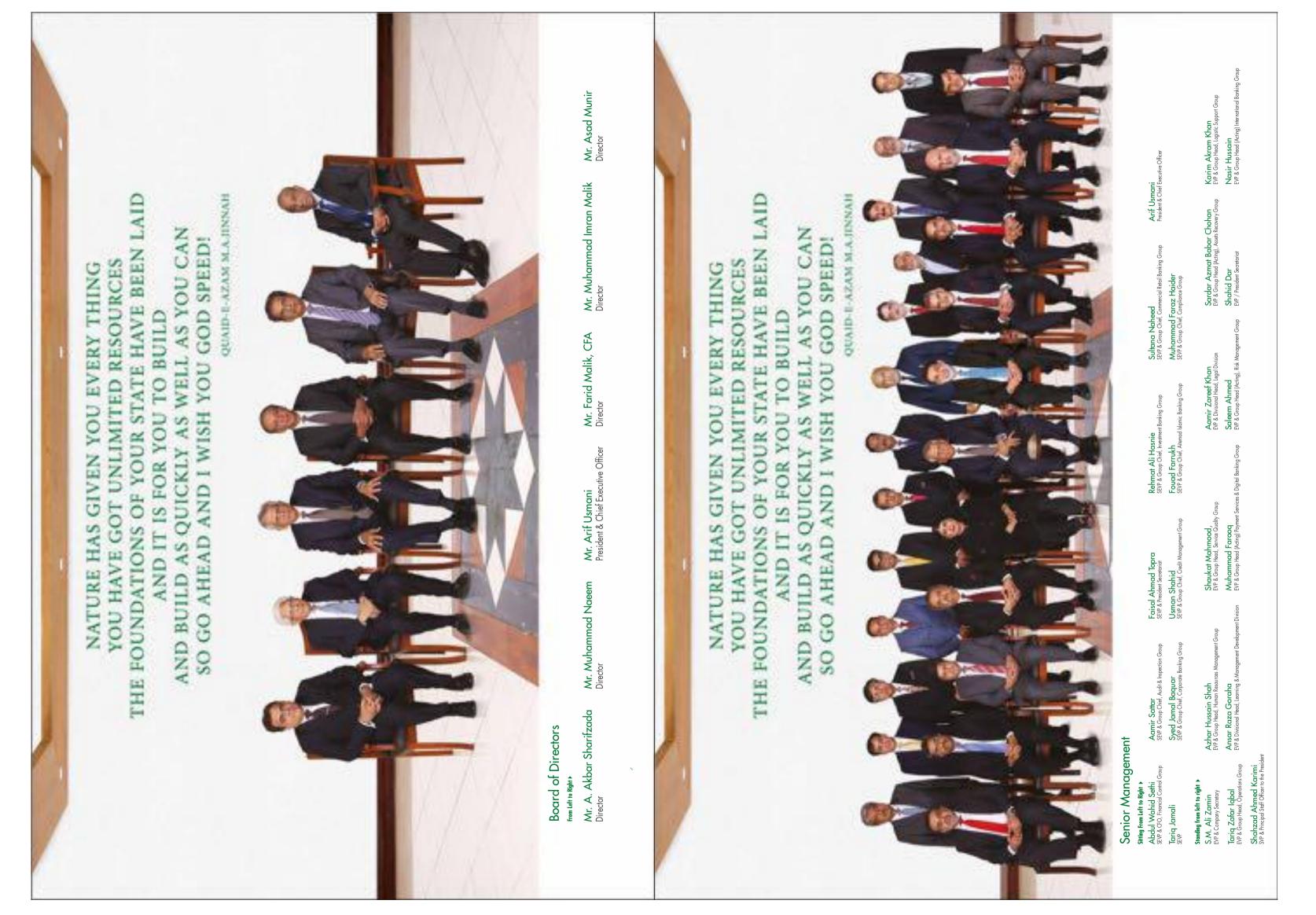
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# The 69<sup>th</sup> Annual Report

This is the 69<sup>th</sup> Annual Report of the National Bank of Pakistan and 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.

- A limited number of printed copies have been produced 1. 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
- The report is also available in Digital format (in CD). As 3. allowed by the SECP, this repot is dispatched to the Shareholders in digital format.



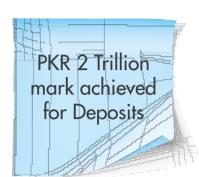
### Other Information about the Bank may also be sought at:

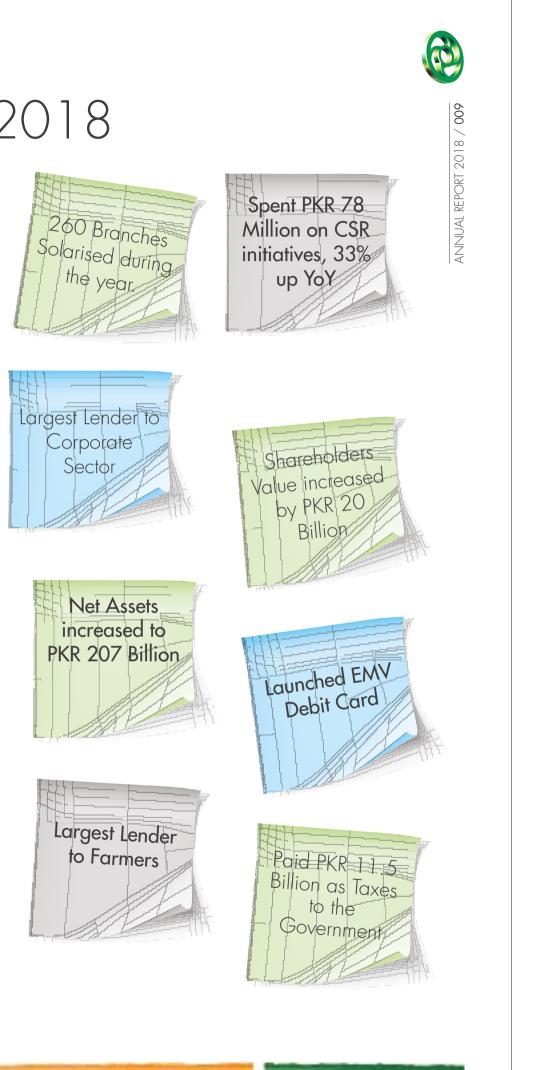
https://www.youtube.com/channel/UCclfeuO5V4sCclmOxigzVg https://www.facebook.com/NBPTheNationsBank https://www.instagram.com/nationalbankofpakistan/

### 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

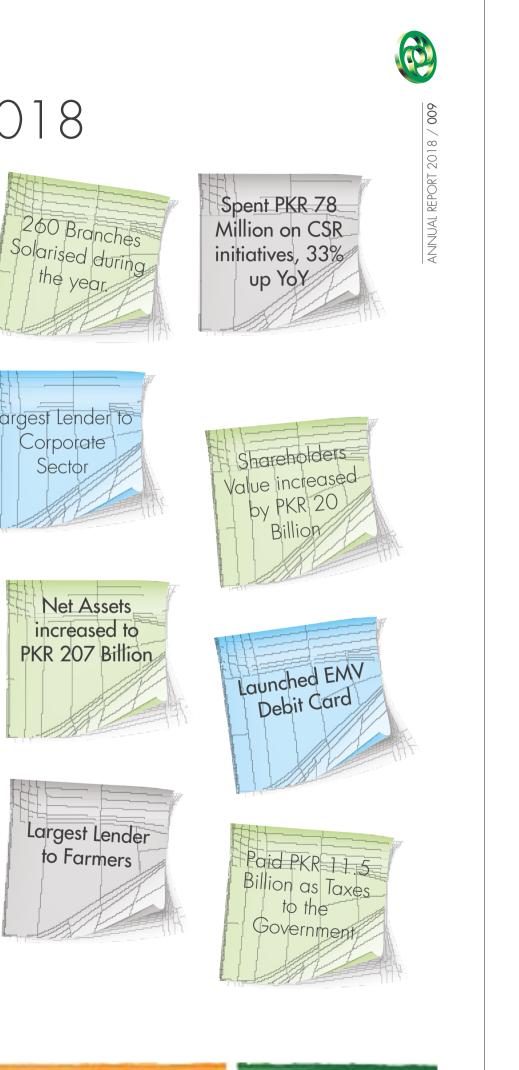




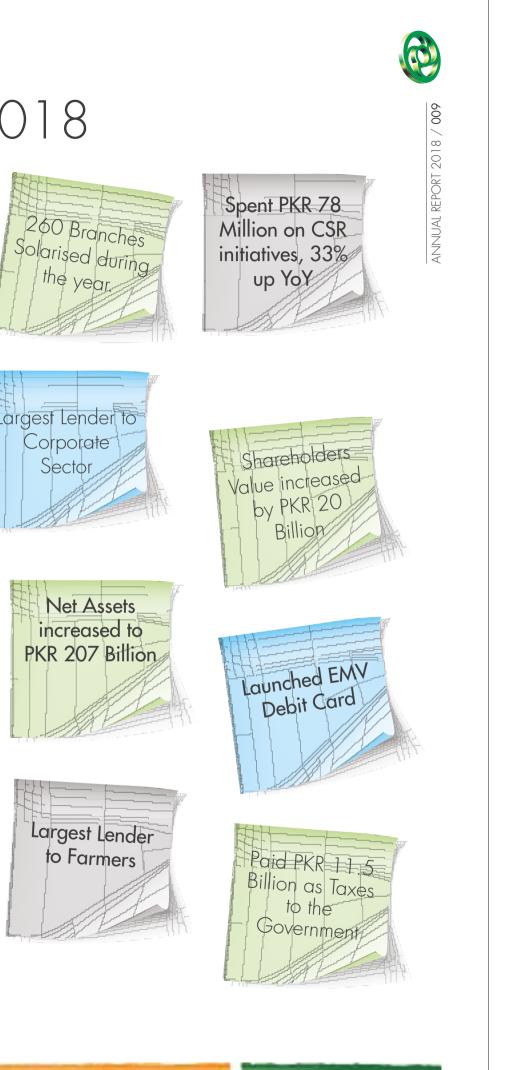














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# Profile of the Bank

# 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**

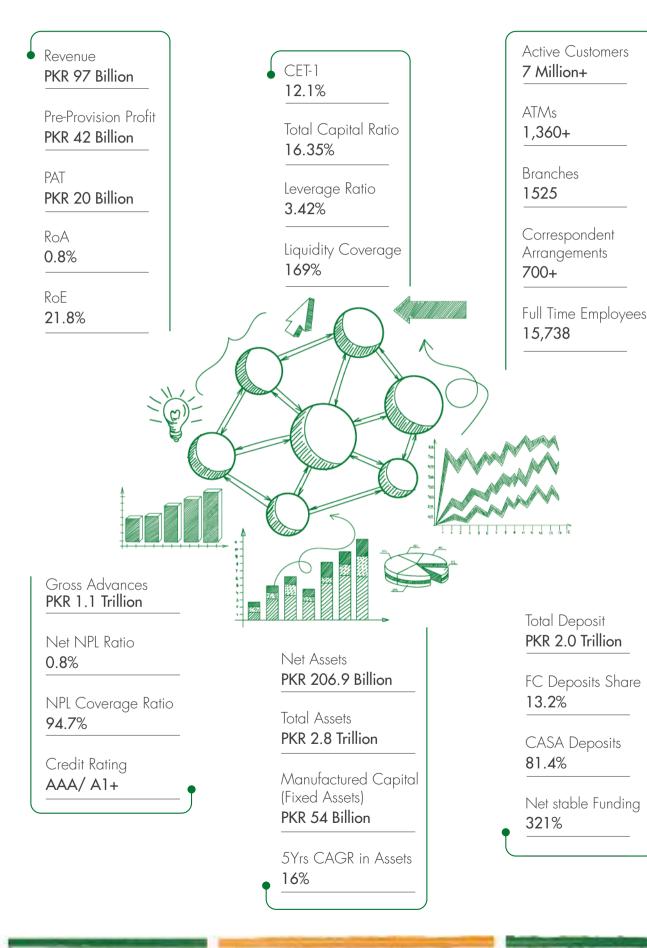
Total capital adequacy ratio of the Bank as at December 31, 2018 stood at 16.35% with Tier-1 capital ratio at 12.10% as compared to 15.95% and 11.63% respectively as at December 31, 2017. This is comfortably above the minimum requirement of 11.90% and 11.28%, respectively.

### **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%).

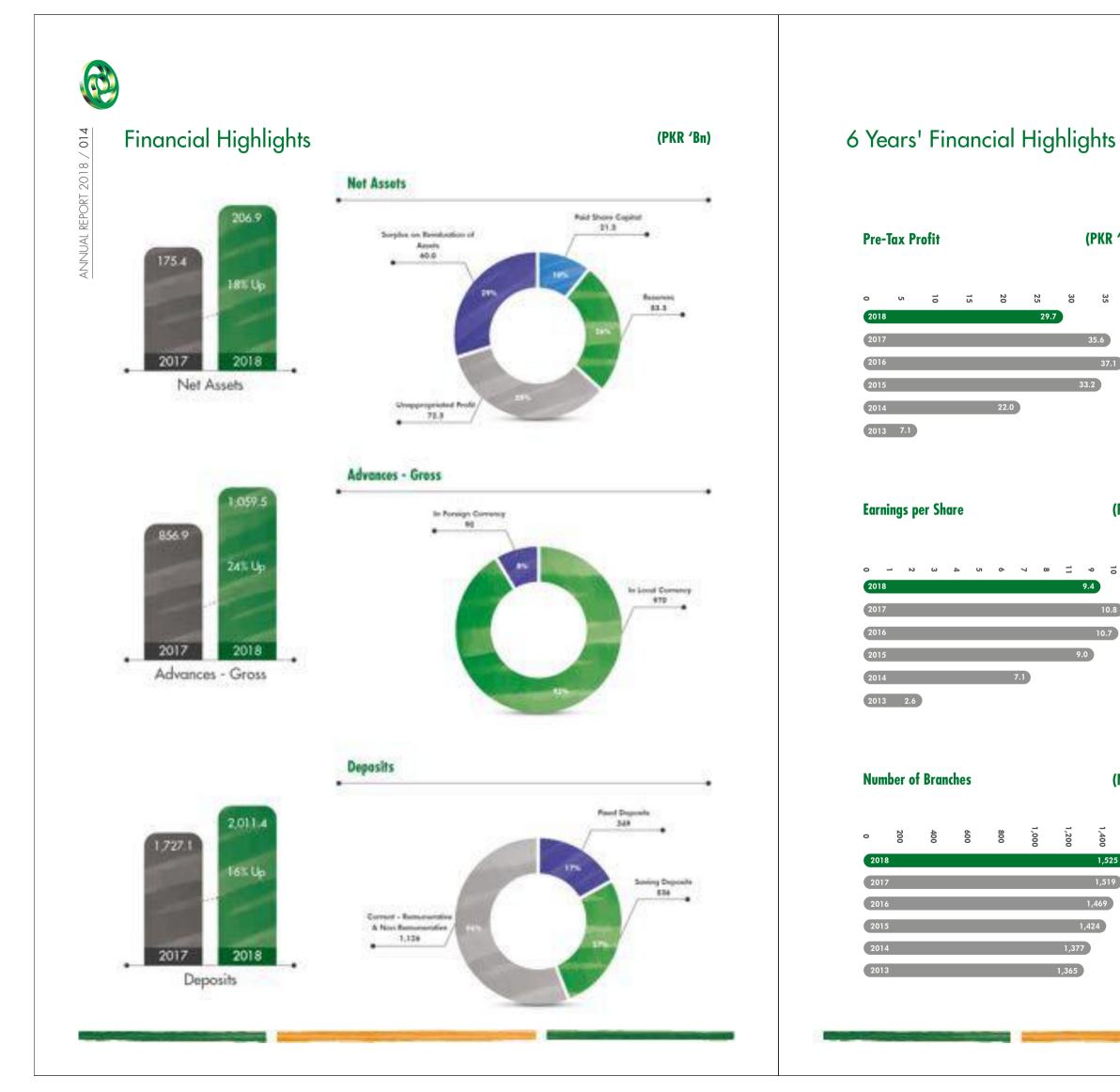
# Key Financial Indicators













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# (PKR 'Bn) After-Tax Profit

3 S

35.6

30

1 9 9.4

9.0

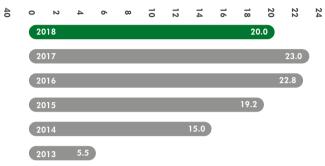
1,200

1.424

1,377

1,365

29.



# (Rs.) Break-up value of Share

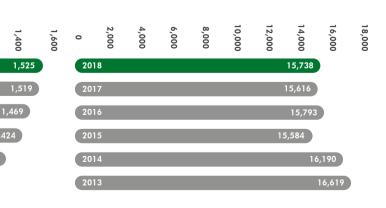


(PKR 'Bn)



(No.) Number of Employees







2017

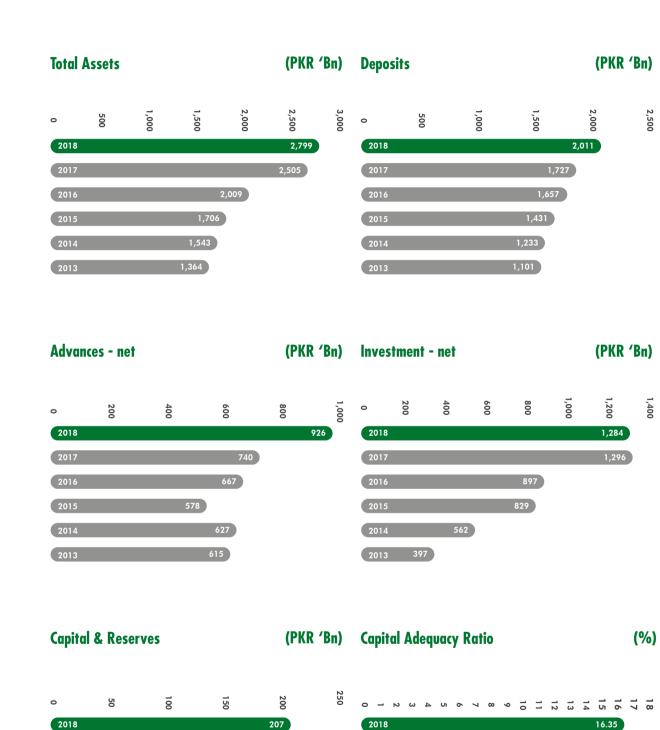
2016

2015

2014

2013

# 6 Years' Financial Highlights



2017

2016

2015

2014

2013

15.95

15.24

17.39

175

# Statement Of Value Added

# Value Generated

Mark-up / Interest Income Non Mark-up / Interest Income Operating Expenses (Exc. Staff cost, Depreciation, Amortisation) Provision against non-performing assets Total Value Generated

# Distribution of Value Generated

To Depositors as profit

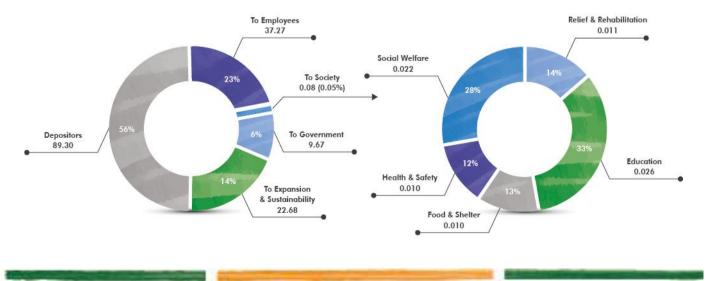
**To Employees:** Remuneration Defined Benefit plans

**To Society:** Donations & CSR

**To Government:** Income Tax

**To Expansion & Sustainability:** Depreciation Amortization Value Retained

# **Distribution of Value Generated**





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# (PKR 'Mn)

2018		2017	
2016		2017	
149,969		123,073	
36,249		31,066	
(15,916)		(14,347)	
(11,300)		(1,192)	
1 <i>5</i> 9,001		138,600	
2010	0/	2017	0/
2018	%	2017	%
89,302	56.2%	68,820	49.7
07,002	00.270	00,020	-+ / ./
31,244	19.7%	26,044	18.8%
6,026	3.8%	4,999	3.6%
37,270	23.4%	31,044	22.4%
78	0.05%	58	0.04%
9,668	6.1%	12,571	9.1%
9,000	0.1%	12,371	9.1/0
2,344	1.5%	2,110	1.5%
323	0.2%	969	0.7%
20,015	12.6%	23,028	16.6%
22,683	14.3%	26,107	18.8%
159,001	100%	138,600	100%





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# Key Performance Ratios

۹.	SIZE FACTORS		2018	2017 *	2016 *	2015	2014	2013
а. ].		Rs. Mn	2,798,566	2,505,321	2,008,855	1,706,361	1,543,054	1,364,920
2.	Capital & Reserves	KS. /VIII 	2,7 90,300	175,382	176,733	168,351	178,329	1,304,920
2. 3.	Deposits		2,011,385	1,727,102	1,657,312	1,431,037	1,233,525	1,101,139
4.			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
0.			27,000	00,077	0,,,,,,	00,210	22,000	,,,,,,,
b	ASSET QUALITY	0/	11.70	0471	17 70	10.50	10.05	4.00
6.	Total Assets Growth Rate	%	11.70	24.71	17.73	10.58	13.05	4.23
7.			4.77	4.82	5.94	7.46	7.83	8.47 64.30
8.	Gross Advances to Deposits Ratio		52.67 46.04	49.62	47.15 40.27	48.33 40.40	59.02 50.81	04.3 55.8
9.	Net Advances to Deposits Ratio		40.04 63.85	42.83	40.27 54.13			
	Investment to Deposit Ratio		03.85	75.02 19.93	54.13 16.74	57.95 14.71	45.54 13.98	36.1- 13.5
	Assets to Equity	Times %				14.71		
	. Infection Ratio - NPLs/ Gross Advances	% #	12.59 100.08	14.10 96.99	15.28 95.54	89.35	16.60 83.88	16.3 80.0
	. NPL Coverage - Total provision/ NPLs . NPL Coverage - (specific provision / NPLs)							
14	. NPL Coverage - (specific provision / NPLs)		94.68	91.60	91.83	87.02	81.23	77.6
	CAPITAL ADEQUACY							
	. Tier I Capital	Rs. Mn	124,818	101,303	95,540	91,751	91,758	87,11
	. Total Eligible Capital		168,658	138,885	133,167	129,216	135,740	125,51
	. Risk Weighted Assets -RWA		1,031,681	870,989	805,252	734,403	780,719	823,42
	. Tier I to RWA	%	12.10	11.63	11.86	12.49	11.75	10.5
	. RVVA to total assets		36.86	34.77	40.09	43.04	50.60	60.3
20	. Capital Adequacy Ratio		16.35	15.95	16.54	17.59	17.39	15.2
	INVESTMENT / MARKET RATIOS							
21	. Earnings per Share and Diluted EPS	Rs.	9.41	10.82	10.69	9.03	7.06	2.5
22	. Price Earning Ratio	%	4.47	4.49	7.01	5.98	9.84	22.4
23	. Market Value per Share	Rs.	42.03	48.56	74.89	54.04	69.46	58.0
24	. Dividend per Share	Rs.	-	-	7.5	7.5	5.5	
	LIQUIDITY							
25	. Net Loans To Total Assets	%	33.09	29.53	33.22	33.87	40.61	45.0
	. Net Loans To Total Deposits		46.04	42.83	40.27	40.38	50.81	55.8
	. Net Loans To Total Deposits (Deposits & Borrowings)		38.52	35.44	39.21	39.77	49.31	54.7
	PROFITABILITY . Return on Average Assets - Pre Tax (excl. acceptances)	%	1.16	1.63	2.00	2.04	1.51	0.5
	. Return on Average Assets - rie tax (excl. acceptances) . Return on Average Equity - Pre Tax	/0	21.78	28.98	31.47	2.04	20.83	6.8
	. Relation Average Equily - Fiel Tax . Operating Profit To Average Assets		1.55	1.63	2.02	29.33	20.83	2.0
	. Gross Income To Average Assets		3.65	3.78	4.56	5.46	5.24	4.7
	. Non-Interest Income To Gross Income		37.40	36.41	35.34	39.44	39.87	4.7
	. Operating Expenses To Gross Income		57.71	56.88	55.73	47.57	54.74	40.0 56.9
	. Operating Expenses to Oross income . Operating Expenses To Average Assets		2.11	2.15	2.54	2.60	2.87	2.7
	. Loan Loss Provisioning Expense to Operating Profit		27.57	3.24	1.06	28.59	36.19	74.2
i. 36	DuPont Analysis . Net Operating Margin	%	20.65	26.99	26.83	21.67	19.73	8.6
		/o "						
	Asset Utilization		3.78	3.90	4.56	5.46	5.24	4.7.
	. Return on Assets - After Tax (excl. acceptances) . Return on Equity - After Tax		0.78 14.69	1.05 18.74	1.22 19.28	1.18 16.98	1.03 14.23	0.4 5.3
	RATES Exchange Rate	US \$	138.8619	110.4172	104.5985	104.8715	100.4831	105.324
	Excitative itale	υς φ	130.0019	1 I U.4 I / Z	104.0700	104.07 IJ	100.4001	100.024

\* 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		
PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%
247,518	9%	160,090	6%	160,173	8%	150,900	9%	97,972	6%	157,930	12%
12,202	0%	26,404	1%	13,828	1%	20,128	1%	12,108	1%	17,458	1%
106,392	4%	26,916	1%	121,709	6%	7,695	0%	111,789	7%	51,939	4%
1,284,319	46%	1,295,720	52%	897,131	45%	829,246	49%	561,764	36%	397,959	29%
926,007	33%	739,772	30%	667,389	33%	578,122	34%	626,704	41%	615,420	45%
54,106	2%	32,752	1%	32,901	2%	31,706	2%	31,796	2%	32,702	2%
-	0%	7,317	0%	5,136	0%	9,669	1%	9,878	1%	10,955	1%
168,022	6%	216,351	9%	110,588	6%	78,895	5%	91,045	6%	80,564	6%
2,798,566	100%	2,505,321	100%	2,008,855	100%	1,706,362	100%	1,543,054	100%	1,364,926	100%
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· ·		,		,		,					1%
,				1						1	2%
2,011,385				1,657,312				1,233,525		1,101,139	81%
-				-				-		-	0%
				26				13		24	0%
· ·				-				-		-	0%
,		,		,		,		,		1	5%
2,591,698	93%	2,329,939	93%	1,832,122	91%	1,538,010	90%	1,364,725	88%	1,208,639	89%
206,869	7%	175,382	7%	176,733	9%	168,351	10%	178,329	12%	156,287	11%
21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	2%
53,274	2%	50,357	2%	46,800	2%	45,581	3%	32,074	2%	31,539	2%
59,986	2%	49,689	2%	56,718	3%	52,340	3%	67,973	4%	55,427	4%
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%
1.40.060	Q19/	103 073	80%	114 403	70%	113 663	76%	114 174	70%	00 028	79%
											49%
						-					31%
											12%
											6%
											3%
											21%
											51%
											29%
40,984	22%	36,791		37,539	26%	46,511	31%	34,478	2 9%	27,480	29%
40,704	22/0	50,771		57,557							16%
11.300	6%	1 102	1%	207	(1%)	12 JUA	Q%.	17 1/2	Q%.	20.401	
11,300 <b>29,683</b>	6%	1,192	1% 23%	397 37 141	0% 26%	13,296 33,216	9% 22%	12,478 22 001	9%	20,401	
11,300 <b>29,683</b> 9,668	6% 1 <b>6%</b> 5%	1,192 35,599 12,571		397 37,141 14,389	0% 26% 10%	13,296 33,216 13,997	9% 22% 9%	12,478 22,001 6,973	9% 1 <b>5%</b> 5%	20,401 7,078	6%
	PKR 'Mn         247,518         12,202         106,392         1,284,319         926,007         54,106         926,007         54,106         2,798,566         2,798,566         2,798,566         2,011,385         170,644         2,591,698         21,275         53,274         59,986         72,333         206,869         21,275         53,274         59,986         72,333         206,869         21,275         53,274         59,986         72,333         206,869         21,275         53,274         59,986         72,333         206,869         21,275         53,274         59,986         72,333         206,869         2,013         206,869         2,02,87         60,666         2,017         6,545         2,687         36,249         96,915 <td>PKR 'Mn         %           247,518         9%           12,202         0%           12,202         0%           12,202         0%           1284,319         46%           926,007         33%           54,106         2%           168,022         6%           2,798,566         100%           392,739         14%           2,011,385         72%           4,004         6%           392,739         14%           2,011,385         72%           4,004         6%           392,739         14%           5,01,385         72%           170,644         6%           2,591,698         93%           21,275         1%           53,274         2%           59,986         2%           59,986         2%           59,986         2%           72,333         3%           60,666         3%           60,666         3%           60,646         3%           60,646         3%           60,646         3%           2,687         1%     <td>PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090           12,202         0%         26,404           106,392         4%         26,916           1,284,319         46%         1,295,720           926,007         33%         739,772           54,106         2%         32,752           0,26,007         33%         739,772           54,106         2%         32,752           0,3         0%         12,137           168,022         6%         216,351           2,798,566         10%         2,16,351           392,739         14%         360,106           2,011,385         7%         1,22,010           392,739         14%         360,106           2,011,385         0%         1,22,010           1,00,644         0%         229,522           2,591,698         93%         2,322,939           2,12,75         1%         21,275           5,3,274         2%         50,357           5,9,986         2%         40,681           2,12,75         1%         21,275           5,3,274         2%         50,357</td><td>PKR 'Mn%247,5189%160,0906%12,2020%26,4041%106,3924%26,6101%12,84,31946%1,295,7205%926,00733%739,77230%54,1062%32,7521%168,0226%216,3519%2,798,5661002,505,3211%9,9440%13,1951%392,73914%360,1061%2,011,3857%1,727,1026%2,011,3850%1,727,1026%6,9850%1,727,1026%6,9850%229,5223%7,0,6446%229,5221%1,70,6446%229,5321%2,591,6987%175,3827%21,2751%21,2751%53,2742%50,3572%59,9862%49,6892%21,2751%21,2751%59,9862%49,6892%149,96981%123,0738%60,6663%54,0612%149,95981%123,0738%60,6663%54,0233%60,6663%54,0231%60,6663%54,0241%60,6663%54,0242%60,6663%54,0242%60,6663%54,0252%60,6663%64,63,021%</td><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090         6%         160,173           12,202         0%         26,6404         1%         13,828           106,392         4%         26,916         1%         121,709           1,284,319         46%         1,295,720         52%         897,131           926,007         33%         739,772         30%         667,389           54,106         2%         32,752         1%         32,901           -         0%         7,317         0%         5,136           168,022         6%         216,351         9%         10,187           392,739         14%         360,106         14%         44,864           2,011,385         7%         1,227,102         6%         1,657,312           7         0%         1,727,102         6%         1,657,312           7         0%         1,727,102         6%         1,832,122           170,644         6%         229,522         9%         1,832,122           21,275         1%         21,275         1%         21,275           53,274         <t< td=""><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%           12,202         0%         26,404         1%         13,828         1%           106,392         4%         26,916         1%         121,709         6%           1,284,319         46%         1,295,720         52%         897,131         45%           926,007         33%         739,772         30%         6667,389         33%           54,106         2%         32,752         1%         32,901         2%           68,022         6%         216,351         9%         110,588         6%           2,798,566         10%         2,505,321         10%         2,008,855         10%           9,944         0%         13,195         1%         10,187         1%           392,739         14%         360,106         14%         44,864         2%           2,011,385         72%         1,727,102         69%         1,657,312         8%           2,011,485         72%         1,727,102         69%         1,657,312         1%           <td< td=""><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090         6%         160,173         8%         120,090           12,020         0%         26,404         1%         13,828         1%         20,128           106,392         4%         26,916         1%         121,709         6%         7,695           1,284,319         46%         1,295,720         52%         897,131         45%         829,246           926,007         33%         739,772         30%         667,389         33%         578,122           54,106         2%         32,752         1%         32,001         2%         31,706           168,022         6%         216,351         9%         110,588         6%         78,895           2,798,566         100%         2,505,321         10%         2,008,855         10%         1,706,342           2,011,385         1%         2,1071         6%         1,465,712         8%         1,431,037           2,011,385         0%         2,229,522         9%         119,733         6%         75,855           2,91,698         9%</td><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%         150,900         9%           12,202         0%         20,404         1%         13,828         1%         20,128         1%           106,392         4%         20,916         1%         121,709         6%         7,695         0%           926,007         33%         739,772         30%         667,389         33%         578,122         34%           54,106         2%         32,752         1%         32,001         2%         31,706         2%           9,944         0%         7,317         0%         5,136         0%         7,895         5%           2,798,566         100%         2,505,321         10%         1,01,87         1%         9,172         1%           392,739         14%         360,106         14%         44,864         2%         21,911         1%           2,011,385         7%         1,727,102         6%         1,657,312         8%         1,431,037         8%           2,0170,644         6%</td><td>PKR 'Mn         %         PKR 'Mn         %         PC12         %         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         20.0128         111.789         1%         20.074         1%         9.0752         1%         20.0744         2%         20.074         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0753         10.015         0%</td><td>PKR Mn         %         PKR Mn         %         PK</td><td>PKR Mn         %         PKR Mn         %         PK</td></td<></td></t<></td></td>	PKR 'Mn         %           247,518         9%           12,202         0%           12,202         0%           12,202         0%           1284,319         46%           926,007         33%           54,106         2%           168,022         6%           2,798,566         100%           392,739         14%           2,011,385         72%           4,004         6%           392,739         14%           2,011,385         72%           4,004         6%           392,739         14%           5,01,385         72%           170,644         6%           2,591,698         93%           21,275         1%           53,274         2%           59,986         2%           59,986         2%           59,986         2%           72,333         3%           60,666         3%           60,666         3%           60,646         3%           60,646         3%           60,646         3%           2,687         1% <td>PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090           12,202         0%         26,404           106,392         4%         26,916           1,284,319         46%         1,295,720           926,007         33%         739,772           54,106         2%         32,752           0,26,007         33%         739,772           54,106         2%         32,752           0,3         0%         12,137           168,022         6%         216,351           2,798,566         10%         2,16,351           392,739         14%         360,106           2,011,385         7%         1,22,010           392,739         14%         360,106           2,011,385         0%         1,22,010           1,00,644         0%         229,522           2,591,698         93%         2,322,939           2,12,75         1%         21,275           5,3,274         2%         50,357           5,9,986         2%         40,681           2,12,75         1%         21,275           5,3,274         2%         50,357</td> <td>PKR 'Mn%247,5189%160,0906%12,2020%26,4041%106,3924%26,6101%12,84,31946%1,295,7205%926,00733%739,77230%54,1062%32,7521%168,0226%216,3519%2,798,5661002,505,3211%9,9440%13,1951%392,73914%360,1061%2,011,3857%1,727,1026%2,011,3850%1,727,1026%6,9850%1,727,1026%6,9850%229,5223%7,0,6446%229,5221%1,70,6446%229,5321%2,591,6987%175,3827%21,2751%21,2751%53,2742%50,3572%59,9862%49,6892%21,2751%21,2751%59,9862%49,6892%149,96981%123,0738%60,6663%54,0612%149,95981%123,0738%60,6663%54,0233%60,6663%54,0231%60,6663%54,0241%60,6663%54,0242%60,6663%54,0242%60,6663%54,0252%60,6663%64,63,021%</td> <td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090         6%         160,173           12,202         0%         26,6404         1%         13,828           106,392         4%         26,916         1%         121,709           1,284,319         46%         1,295,720         52%         897,131           926,007         33%         739,772         30%         667,389           54,106         2%         32,752         1%         32,901           -         0%         7,317         0%         5,136           168,022         6%         216,351         9%         10,187           392,739         14%         360,106         14%         44,864           2,011,385         7%         1,227,102         6%         1,657,312           7         0%         1,727,102         6%         1,657,312           7         0%         1,727,102         6%         1,832,122           170,644         6%         229,522         9%         1,832,122           21,275         1%         21,275         1%         21,275           53,274         <t< td=""><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%           12,202         0%         26,404         1%         13,828         1%           106,392         4%         26,916         1%         121,709         6%           1,284,319         46%         1,295,720         52%         897,131         45%           926,007         33%         739,772         30%         6667,389         33%           54,106         2%         32,752         1%         32,901         2%           68,022         6%         216,351         9%         110,588         6%           2,798,566         10%         2,505,321         10%         2,008,855         10%           9,944         0%         13,195         1%         10,187         1%           392,739         14%         360,106         14%         44,864         2%           2,011,385         72%         1,727,102         69%         1,657,312         8%           2,011,485         72%         1,727,102         69%         1,657,312         1%           <td< td=""><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090         6%         160,173         8%         120,090           12,020         0%         26,404         1%         13,828         1%         20,128           106,392         4%         26,916         1%         121,709         6%         7,695           1,284,319         46%         1,295,720         52%         897,131         45%         829,246           926,007         33%         739,772         30%         667,389         33%         578,122           54,106         2%         32,752         1%         32,001         2%         31,706           168,022         6%         216,351         9%         110,588         6%         78,895           2,798,566         100%         2,505,321         10%         2,008,855         10%         1,706,342           2,011,385         1%         2,1071         6%         1,465,712         8%         1,431,037           2,011,385         0%         2,229,522         9%         119,733         6%         75,855           2,91,698         9%</td><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%         150,900         9%           12,202         0%         20,404         1%         13,828         1%         20,128         1%           106,392         4%         20,916         1%         121,709         6%         7,695         0%           926,007         33%         739,772         30%         667,389         33%         578,122         34%           54,106         2%         32,752         1%         32,001         2%         31,706         2%           9,944         0%         7,317         0%         5,136         0%         7,895         5%           2,798,566         100%         2,505,321         10%         1,01,87         1%         9,172         1%           392,739         14%         360,106         14%         44,864         2%         21,911         1%           2,011,385         7%         1,727,102         6%         1,657,312         8%         1,431,037         8%           2,0170,644         6%</td><td>PKR 'Mn         %         PKR 'Mn         %         PC12         %         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         20.0128         111.789         1%         20.074         1%         9.0752         1%         20.0744         2%         20.074         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0753         10.015         0%</td><td>PKR Mn         %         PKR Mn         %         PK</td><td>PKR Mn         %         PKR Mn         %         PK</td></td<></td></t<></td>	PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090           12,202         0%         26,404           106,392         4%         26,916           1,284,319         46%         1,295,720           926,007         33%         739,772           54,106         2%         32,752           0,26,007         33%         739,772           54,106         2%         32,752           0,3         0%         12,137           168,022         6%         216,351           2,798,566         10%         2,16,351           392,739         14%         360,106           2,011,385         7%         1,22,010           392,739         14%         360,106           2,011,385         0%         1,22,010           1,00,644         0%         229,522           2,591,698         93%         2,322,939           2,12,75         1%         21,275           5,3,274         2%         50,357           5,9,986         2%         40,681           2,12,75         1%         21,275           5,3,274         2%         50,357	PKR 'Mn%247,5189%160,0906%12,2020%26,4041%106,3924%26,6101%12,84,31946%1,295,7205%926,00733%739,77230%54,1062%32,7521%168,0226%216,3519%2,798,5661002,505,3211%9,9440%13,1951%392,73914%360,1061%2,011,3857%1,727,1026%2,011,3850%1,727,1026%6,9850%1,727,1026%6,9850%229,5223%7,0,6446%229,5221%1,70,6446%229,5321%2,591,6987%175,3827%21,2751%21,2751%53,2742%50,3572%59,9862%49,6892%21,2751%21,2751%59,9862%49,6892%149,96981%123,0738%60,6663%54,0612%149,95981%123,0738%60,6663%54,0233%60,6663%54,0231%60,6663%54,0241%60,6663%54,0242%60,6663%54,0242%60,6663%54,0252%60,6663%64,63,021%	PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090         6%         160,173           12,202         0%         26,6404         1%         13,828           106,392         4%         26,916         1%         121,709           1,284,319         46%         1,295,720         52%         897,131           926,007         33%         739,772         30%         667,389           54,106         2%         32,752         1%         32,901           -         0%         7,317         0%         5,136           168,022         6%         216,351         9%         10,187           392,739         14%         360,106         14%         44,864           2,011,385         7%         1,227,102         6%         1,657,312           7         0%         1,727,102         6%         1,657,312           7         0%         1,727,102         6%         1,832,122           170,644         6%         229,522         9%         1,832,122           21,275         1%         21,275         1%         21,275           53,274 <t< td=""><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%           12,202         0%         26,404         1%         13,828         1%           106,392         4%         26,916         1%         121,709         6%           1,284,319         46%         1,295,720         52%         897,131         45%           926,007         33%         739,772         30%         6667,389         33%           54,106         2%         32,752         1%         32,901         2%           68,022         6%         216,351         9%         110,588         6%           2,798,566         10%         2,505,321         10%         2,008,855         10%           9,944         0%         13,195         1%         10,187         1%           392,739         14%         360,106         14%         44,864         2%           2,011,385         72%         1,727,102         69%         1,657,312         8%           2,011,485         72%         1,727,102         69%         1,657,312         1%           <td< td=""><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090         6%         160,173         8%         120,090           12,020         0%         26,404         1%         13,828         1%         20,128           106,392         4%         26,916         1%         121,709         6%         7,695           1,284,319         46%         1,295,720         52%         897,131         45%         829,246           926,007         33%         739,772         30%         667,389         33%         578,122           54,106         2%         32,752         1%         32,001         2%         31,706           168,022         6%         216,351         9%         110,588         6%         78,895           2,798,566         100%         2,505,321         10%         2,008,855         10%         1,706,342           2,011,385         1%         2,1071         6%         1,465,712         8%         1,431,037           2,011,385         0%         2,229,522         9%         119,733         6%         75,855           2,91,698         9%</td><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%         150,900         9%           12,202         0%         20,404         1%         13,828         1%         20,128         1%           106,392         4%         20,916         1%         121,709         6%         7,695         0%           926,007         33%         739,772         30%         667,389         33%         578,122         34%           54,106         2%         32,752         1%         32,001         2%         31,706         2%           9,944         0%         7,317         0%         5,136         0%         7,895         5%           2,798,566         100%         2,505,321         10%         1,01,87         1%         9,172         1%           392,739         14%         360,106         14%         44,864         2%         21,911         1%           2,011,385         7%         1,727,102         6%         1,657,312         8%         1,431,037         8%           2,0170,644         6%</td><td>PKR 'Mn         %         PKR 'Mn         %         PC12         %         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         20.0128         111.789         1%         20.074         1%         9.0752         1%         20.0744         2%         20.074         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0753         10.015         0%</td><td>PKR Mn         %         PKR Mn         %         PK</td><td>PKR Mn         %         PKR Mn         %         PK</td></td<></td></t<>	PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%           12,202         0%         26,404         1%         13,828         1%           106,392         4%         26,916         1%         121,709         6%           1,284,319         46%         1,295,720         52%         897,131         45%           926,007         33%         739,772         30%         6667,389         33%           54,106         2%         32,752         1%         32,901         2%           68,022         6%         216,351         9%         110,588         6%           2,798,566         10%         2,505,321         10%         2,008,855         10%           9,944         0%         13,195         1%         10,187         1%           392,739         14%         360,106         14%         44,864         2%           2,011,385         72%         1,727,102         69%         1,657,312         8%           2,011,485         72%         1,727,102         69%         1,657,312         1% <td< td=""><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090         6%         160,173         8%         120,090           12,020         0%         26,404         1%         13,828         1%         20,128           106,392         4%         26,916         1%         121,709         6%         7,695           1,284,319         46%         1,295,720         52%         897,131         45%         829,246           926,007         33%         739,772         30%         667,389         33%         578,122           54,106         2%         32,752         1%         32,001         2%         31,706           168,022         6%         216,351         9%         110,588         6%         78,895           2,798,566         100%         2,505,321         10%         2,008,855         10%         1,706,342           2,011,385         1%         2,1071         6%         1,465,712         8%         1,431,037           2,011,385         0%         2,229,522         9%         119,733         6%         75,855           2,91,698         9%</td><td>PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%         150,900         9%           12,202         0%         20,404         1%         13,828         1%         20,128         1%           106,392         4%         20,916         1%         121,709         6%         7,695         0%           926,007         33%         739,772         30%         667,389         33%         578,122         34%           54,106         2%         32,752         1%         32,001         2%         31,706         2%           9,944         0%         7,317         0%         5,136         0%         7,895         5%           2,798,566         100%         2,505,321         10%         1,01,87         1%         9,172         1%           392,739         14%         360,106         14%         44,864         2%         21,911         1%           2,011,385         7%         1,727,102         6%         1,657,312         8%         1,431,037         8%           2,0170,644         6%</td><td>PKR 'Mn         %         PKR 'Mn         %         PC12         %         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         20.0128         111.789         1%         20.074         1%         9.0752         1%         20.0744         2%         20.074         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0753         10.015         0%</td><td>PKR Mn         %         PKR Mn         %         PK</td><td>PKR Mn         %         PKR Mn         %         PK</td></td<>	PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn           247,518         9%         160,090         6%         160,173         8%         120,090           12,020         0%         26,404         1%         13,828         1%         20,128           106,392         4%         26,916         1%         121,709         6%         7,695           1,284,319         46%         1,295,720         52%         897,131         45%         829,246           926,007         33%         739,772         30%         667,389         33%         578,122           54,106         2%         32,752         1%         32,001         2%         31,706           168,022         6%         216,351         9%         110,588         6%         78,895           2,798,566         100%         2,505,321         10%         2,008,855         10%         1,706,342           2,011,385         1%         2,1071         6%         1,465,712         8%         1,431,037           2,011,385         0%         2,229,522         9%         119,733         6%         75,855           2,91,698         9%	PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %         PKR 'Mn         %           247,518         9%         160,090         6%         160,173         8%         150,900         9%           12,202         0%         20,404         1%         13,828         1%         20,128         1%           106,392         4%         20,916         1%         121,709         6%         7,695         0%           926,007         33%         739,772         30%         667,389         33%         578,122         34%           54,106         2%         32,752         1%         32,001         2%         31,706         2%           9,944         0%         7,317         0%         5,136         0%         7,895         5%           2,798,566         100%         2,505,321         10%         1,01,87         1%         9,172         1%           392,739         14%         360,106         14%         44,864         2%         21,911         1%           2,011,385         7%         1,727,102         6%         1,657,312         8%         1,431,037         8%           2,0170,644         6%	PKR 'Mn         %         PC12         %         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         12.0128         1%         20.0128         111.789         1%         20.074         1%         9.0752         1%         20.0744         2%         20.074         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0752         1%         9.0753         10.015         0%	PKR Mn         %         PK	PKR Mn         %         PK

\* 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.



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# 6 Years' Horizontal Analysis

	2018	YoY	2017 *	YoY	2016 *	YoY	2015	YoY	2014	YoY	2013	YoY
Financial Position	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%
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%
Balances with other banks	12,202	-54%	26,404	91%	13,828	-31%	20,128	66%	12,108	-31%	17,458	-42%
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%
LIABILITIES												
Bills payable	9,944	-25%	13,195	30%	10,187	11%	9,172	-17%	11,012	-21%	13,895	-3%
Borrowings	392,739	9%	360,106	703%	44,864	105%	21,911	-42%	37,541	69%	22,239	-57%
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%
Total Liabilities	2,591,698	11%	2,329,939	27%	1,832,122	19%	1,538,010	13%	1,364,725	13%	1,208,639	3%
NET ASSETS	206,869	18%	175,382	-1%	176,733	5%	168,351	-6%	178,329	14%	156,287	12%
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		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%		-1%	176,733	5%	168,351	-6%	178,329	14%	156,287	12%
Financial Performance												
Markup / Return / Interest earned	149,969	22%	123,073	8%	114,403	1%	113,662	0%	114,174	15%	99,028	-1%
Markup / Return / Interest expensed	89,302	30%	68,820	16%	59,578	-1%	59,941	-12%	68,370	12%	60,823	8%
Net Markup / Interest income	60,666	12%	54,253	-1%	54,824	2%	53,721	17%	45,804	20%	38,205	-13%
Fee, commission and exchange income	27,017	42%	19,026	12%	17,013	0%	17,043	9%	15,687	2%	15,394	7%
Capital gains & dividend income	6,545	-36%	10,301	-10%	11,405	-28%	15,860	43%	11,103	61%	6,908	1%
Other income	2,687	54%	1,740	12%	1,549	-26%	2,081	-42%	3,587	10%	3,268	26%
Non interest income	36,249	17%	31,066	4%	29,967	-14%	34,983	15%	30,377	19%	25,570	7%
Total income	96,915	14%	85,319	1%	84,791	-4%	88,704	16%	76,181	19%	63,774	-6%
Operating expenses and other charges	55,931	15%	48,528	3%	47,253	12%	42,193	1%	41,703	15%	36,295	3%
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		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		7,078	-67%
· ·		-23%	12,571				13,997				1,578	-75%
Taxation	9,668	20/0	1Z,J/ 1	-10/0	14,389	3%	13,997	101%	6,973	J4Z/0	1,370	

\* 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.

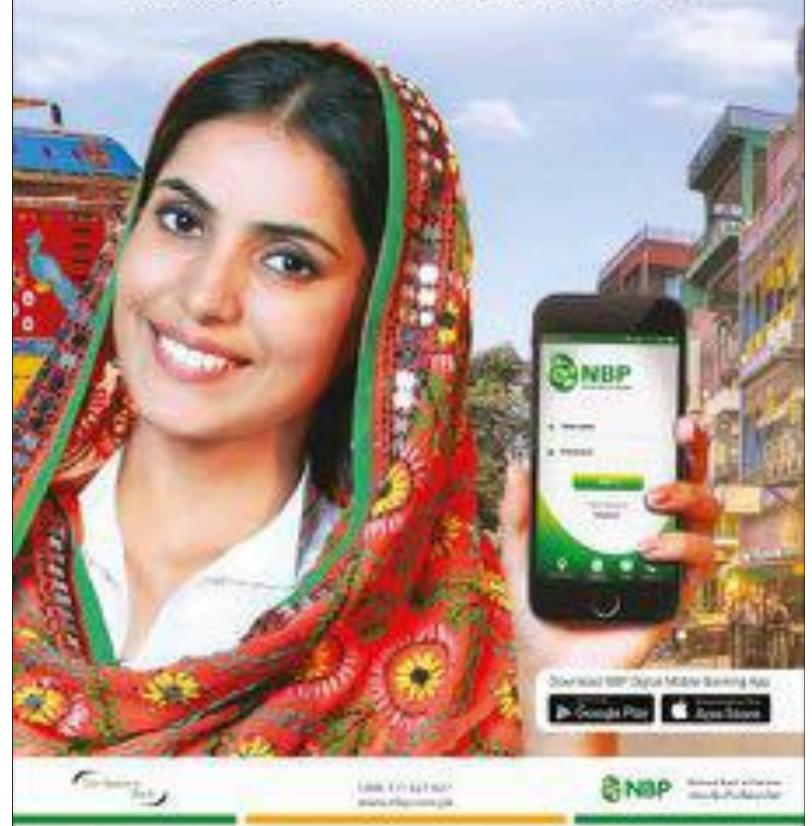
# NBP goes Digital! Download NBP mobile banking app

The Nation's Bank brings you speedy Digtal Banking Services through its Mobile App. Keeping you connected with your banking. needs on your fingertos-

Utility Bill Payment

Drilina Shopping

- FBR Tax Payments:



Mobile Bill Payment.

 Air Time Top Lips. Transfor Funds (within MDP / to other Bankel)



### **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**

requirements of the customers.

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

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

	Individuals	SME	Corporates	<b>Financial Institutions</b>	Governments			
	Current and Saving Deposits							
Deposits and	Access to global trade and exchange markets							
Cash Management	Global Home Rer	nittances						
	Bancassurance							
	Locker & Safe Deposits				-			
	Housing & Car Finance	SME Financing						
	Agri. Loans	Commercial Busine	ess Loans					
Financing Personal & Business Needs	Advance Salary	Working Capital a	ind Project Finance					
	Gold Loans	Trade Finance						
	<b>1</b>		Capital Markets					
	257		Syndicate Financ	e and Capital Advisory	/			
	Dabit Card	Forex Trade, Fixed	Income, Exchange	Rate Hedging, Foreign	Bill Discounting			
Financial and Business Support	Financial Services under G2P & P2G		Merger & Acquis	sition, Balance Sheet Re	profiling			

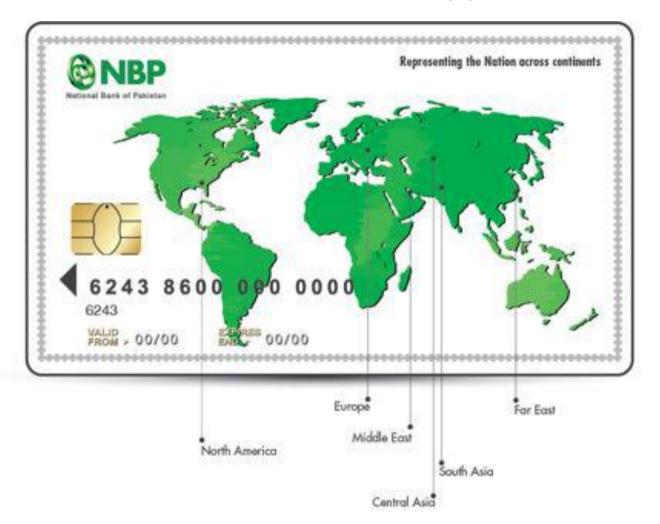
internationally, manage financial risks effectively, and deal with thousands of business counterparts globally through our branches and representative offices.

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# **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:



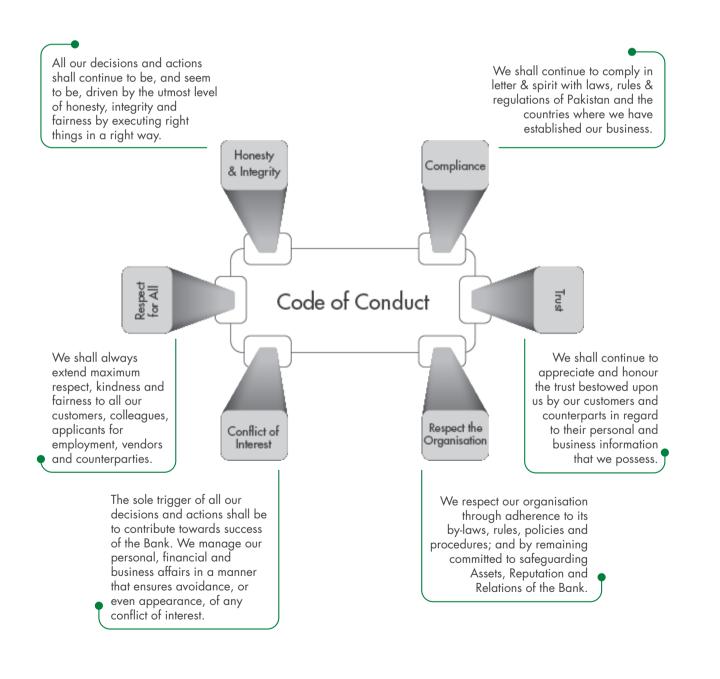


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# **Our Ethics & Code of Conduct**

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 customerfocused delivery system to provide financial solutions to individuals, small & medium enterprises as well as large corporate and public sector customer. 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:

				G
-		1.1	В	usin
Commercial &	Corpo		Islamic	Inte
Retail Banking	Investmen	Banking	Banking	E
1		1 1	S	upp
Operations & Lo	gistics	Tech	nology & Sy	/stem
		1 2	Co	ntro
-			Co	ntro
Risk & Credit				ntro Jal &
Risk & Credit				
Risk & Credit	Corpora	te Govern	Leg	

# 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.



ustomer					
$\uparrow\downarrow$					
ess Functio	ons				
ernational Banking	Treasury & Capital Mark		igital nking	Assets Rehc & Reco	
$\uparrow\downarrow$					
ort Functio	ons	and the			
	Financial Co	ntrols		HR & Service	e Quality
$\uparrow\downarrow$					
l & Monite	oring				
Compliance				Audit & Iı	nspection
$\uparrow\downarrow$					
board of D	irectors & l	Board C	ommit	tees	





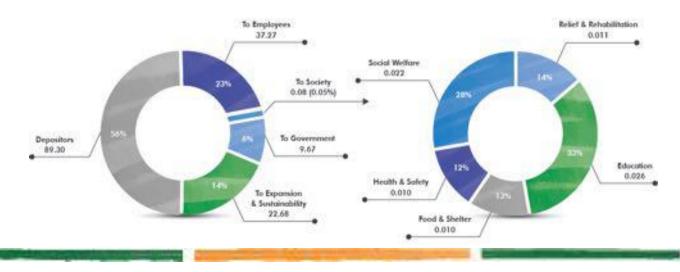
These two strategic functions generate key stream of our incomes being (i) the fund based mark-up/ interest income, and (ii) non-fund fee & commission income. Fund based income is generated through both acting as in intermediary between the depositors and borrowers, and the maturity transformation by 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.

Retail Customers	Small & Medium E	interprises Large	Corporates	Governments
Our p	roducts and services th	nat fulfil requiremen	ts of each type of	customers
Retail Products	Transaction Banking	Corporate Financ	e Treasury	G2P Service
<ul> <li>Deposits</li> <li>Debit Card</li> <li>Housing Finance</li> <li>Personal/Gold Loan</li> <li>Agricultural Loans</li> <li>PMYBL</li> </ul>	<ul> <li>Cash Management</li> <li>Trade Finance &amp; Services</li> <li>Remittance</li> </ul>	<ul> <li>Deposits</li> <li>Structured Corporate Finance</li> <li>Capital Advisory</li> <li>Investment Adviso</li> <li>Trade Finance</li> </ul>		<ul> <li>Pension Payments</li> <li>Tax and Fee Collection</li> <li>Other Payments</li> </ul>
Our prod	ucts and services creat		eholders and oth	er stakeholders For the Society
Retail Products     Transaction Banking	<ul><li>Job Satisfaction</li><li>Remuneration</li></ul>	Incom     Profits	9	<ul> <li>Job Creation</li> <li>Support &amp; Donations</li> </ul>
<ul> <li>Corporate Finance</li> <li>Financial Markets &amp; Advisory</li> </ul>	Retirement Benefi		nd Payout Il Gains	<ul> <li>Partnering economic upbringing</li> </ul>
<ul><li>Corporate Finance</li><li>Financial Markets &amp;</li></ul>				
<ul><li>Corporate Finance</li><li>Financial Markets &amp;</li></ul>		• Capite		upbringing

# Value Distribution-2018





# 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> <li>General elections and change of Government.</li> </ul>	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> <li>Devaluation of PKR</li> <li>Increase in Policy rate</li> <li>Increasing Inflation</li> <li>Reduced PSDP budget by the Govt.</li> </ul>	The Bank maintains well diversified deposits and advances portfolio with r single sector having a major impact or control. However, an overall decline ir economic conditions may pose advers 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 financi 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> <li>Mobile/ Internet Baking became more common</li> <li>Data security becomes more critical</li> <li>Increasing competition from Telecoms</li> </ul>	We deployed multiple software and IT Infrastructure Projects to ensure deleviry c 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> <li>Companies Act, 2017</li> <li>Finance Act-2018</li> <li>Changes in IFRSs</li> <li>SBP Regulation on Depositors' Protection Mechanism</li> <li>New Code of Corporate Governance</li> <li>Enhanced Regulatory and Supervisory Requirements for D-SIBs</li> </ul>	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 wi 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> <li>Sustainable development</li> <li>Green Banking Initiatives by the SBP</li> </ul>	The Bank has put in place efficient strategies to play its due role for environmental protection. Such initiatives include large scale plantation campaign solar powered ATMs and premises lighting, etc. Title page of this Annual Report is line with Bank's initiatives for environmental protection.



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# **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.

Business	Operational Efficiencies &	Profit Maximisation &
Development & Growth	Expense Management	Capital Strengthening
IT Systems & Knowledge	Service Quality & Image Building	Effective Risk Management & Controls

### 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 our achieving the goals 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 Banking industry.

- comfortably above the minimum requirement of 11.90% and 11.28%, respectively.
- time.
- We have launched the EMV Debit Card and the Mobile App Facility.

### **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 areater 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 future development of the business. Adequacy of the Bank's financial capital is monitored using, inter alia, the **Our Capital** 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.



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-1 capital adequacy ratio at 12.10% as compared to 15.95% and 11.63% respectively as at December 31, 2017. This is

- 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

- We deployed various IT systems and Infrastructure for delivery of our products through alternate delivery channels.



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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 "RVVA" 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. RVVA 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 RVVA 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. build 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 a & optimal balance between owned and rented buildings. Further, the Bank is also mindful of the requirement to maintain 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.



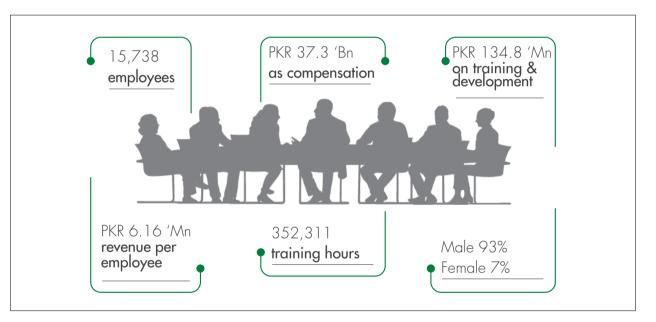
# Human Capital

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 pools 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-Blow Policy for reporting of potential violation of policies.

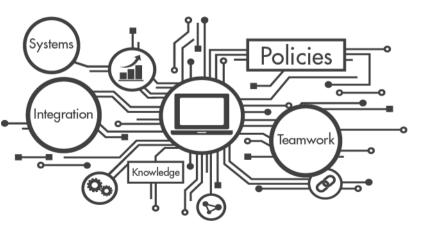
The Bank invests significant amount for maintaining its human capital which is done through talent acquisition, trainings, job rotation and succession planning. The Bank's Learning & Development Management Division constantly arranges both in-house as well as external trainings to keep the staff abreast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





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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 net-work. 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

- Vide Range of Products & Services
- nt Arrangements

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 PKR 78 Million Invested in CSR

# Initiatives

Green Banking

- 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> <li>Deposits Mobilisation</li> <li>Advances</li> </ul>	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. 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. 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.	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 Develop- ment & Operational Efficiencies	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		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. 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.	This will remain critically relevant in future.



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### **Liquidity Management**

The Bank is subject to certain regulatory requirements to maintain Liquidity Coverage Ratio (LCR), a guantitative 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.

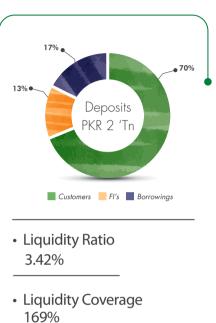
In compliance with the SBP regulations and to instill depositors' confidence & trust into the Bank, we accord as much importance to the funding & liquidity management as we do for managing financial capital of the Bank.

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 stable 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.



 Net Stable Fund 321%

# **Organization & Management Structure**

	The Boa
-	Board Risk Committee Board Strategy & D
	Board HR & Remuneration C
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	Pre
	Key Executive
	Credit Committee
	Assets and Liability Committee
	Managoment Committee
	Management Committee
	Equity Investment Committee
	Equity Investment Committee
_	Equity Investment Committee Execut Risk Management Group
	Equity Investment Committee
	Equity Investment Committee Execut Risk Management Group Company Secretary
	Equity Investment Committee  Execut  Risk Management Group Company Secretary Investment Banking Group
	Equity Investment Committee  Execut  Risk Management Group Company Secretary Investment Banking Group Compliance Group
	Equity Investment Committee  Execut  Risk Management Group Company Secretary Investment Banking Group Compliance Group Operations Group
	Equity Investment Committee  Execut  Risk Management Group Company Secretary Investment Banking Group Compliance Group Operations Group Human Resource Management Group
	Equity Investment Committee  Execut  Risk Management Group Company Secretary Investment Banking Group Compliance Group Operations Group Human Resource Management Group Corporate Banking Group
	Equity Investment Committee  Execut  Risk Management Group Company Secretary Investment Banking Group Compliance Group Operations Group Human Resource Management Group Corporate Banking Group International Banking Group



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# of Directors Shariah Board lopment Committee **Board Audit & Compliance Committee** mittee **Board IT Committee** ent / CEO anagement Committees **Executive Committee on Audit Issues Executive Risk Management Committee Public Relations Committee** Management Audit & Inspection Group **Commercial Retail Baking Group** Treasury & Capital Markets Group **Assets Recovery Group** Service Quality Group **Financial Control Group Logistics Support Group Credit Management Group** Learning & Management Development Division Information Technology Group



# 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 Rivadh 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

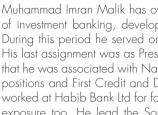
Mr. Asad Munir was appointed as a Director of National Bank of Pakistan by the Government of Pakistan with effect from June 14, 2017. Mr. Asad Munir has a professional & judicial career spanning over 44 years. He has been a practicing lawyer before the High Courts & Supreme Court of Pakistan and possesses 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 DFIs in Member Countries of IDB), an IDB associate, with head guarters in Istanbul, for six vears

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 Čentral 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 at 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.



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### Mufti Ehsan Waguar Ahmad

Mufti Ehsan Waguar 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, Jamiatur-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 (lamia-tur-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-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (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, Figh, 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 qualification include Takhas-us-fil-Figh, MIBF & PGD (Islamic Banking & Finance) and M.A (Islamic Studies) and 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
1	Mr. Muhammad Naeem	Chairr
	Mr. A. Akbar Sharifzada	Memb
	Mr. Muhammad Imran Malik	Memb

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:

- Audit Manual.
- 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.

# The Board HR & Remuneration Committee (BHR&RC)

Name of Director	Status
Mr. Muhammad Naeem	Chairn
Mr. Tariq Jamali	Memb
Mr. A. Akbar Sharifzada	Memb
Mr. Asad Munir	Memb

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:

- Succession Planning and other HR related issues.
- The Committee aimed to invest in HR and set sailing on future challenges by taking following initiatives:
  - i. Enhance employees' motivation level
  - ii. Employees' capacity building
  - iii. Address employees' grievance to reduce litigation
  - iv. Played role in right sizing / staff rationalization
- HR overseas operations. The Committee also took keen interest in addressing below core issues:
- i. Anomalies related to employees' salary disparity
- ii. Employees' grievance related to change in Pension formula
- - i. NBP Travel Policy
  - ii. Monetization of entitlement vehicles
  - iii. Club Membership Policy
  - iv. RMT Allowance Policy
  - v. Out of Station Allowance Policy

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• 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

Reviewed and recommended the auarterly 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

• 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.

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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,

The Committee guided HR for improvement in organizational structure, employees' training, compensation/benefits and

The Committee formulated, reviewed and recommended following HR policies to the Board for approval:

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# **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;

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

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 Banks 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:

- achieving its long-term strategic goals and objectives.
- . regulatory requirements.
- recorded in the minutes.

# Performance Evaluation of the Board

The Board of Directors is keen to ensure that it revaluates 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 adeauately 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.



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Bank's strategies and policies are gligned with its vision & mission and steer the Bank in right direction towards

The overall Board, its individual Members and its Committees discharge their roles efficiently & effectively in line with

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



### 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 ensuing 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 from the Board approved 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 with in 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:

- of core activities.
- the present and future market challenges.
- 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.

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.



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• 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

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

Employees' Engagement: The initiative aims to improve employee motivation and service quality standards through employee

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



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 instil 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 and complaints may also be lodged 24/7 by calling the Bank's Call Centre at out UAN: 111-627-627. If 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 elearning moodle 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**

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 manaaement.

### **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

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.



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Manage the risk profile of the Bank to ensure that specific financial deliverables remain achievable under a range of emergent



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, ERMC, 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 (ERMC)	Risk Management Group (RMG)
BRC is an independent committee of 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	ERMC 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. ERMC 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 responsibili-ties 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

### **Stakeholders Engagement**

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
	Customers	<ul> <li>Customer Service, Security and Privacy</li> <li>Fair Treatment &amp; Service Quality</li> <li>Financial Inclusion</li> <li>Convenience &amp; Affordability of Products</li> <li>Grievance Handling Mechanism</li> <li>Financial Education and Literacy</li> </ul>	<ul> <li>Visits by Relationship Managers</li> <li>Complain Management Center</li> <li>Branch Managers</li> <li>Call Centres</li> <li>Bank's Website</li> <li>Media Advertisements</li> <li>SMS alerts</li> </ul>	As required 24/7 As required 24/7 24/7 As required As required
	Shareholders and Analysts	<ul> <li>Financial Position &amp; Performance</li> <li>Corporate Governance</li> <li>Transparency &amp; Disclosure</li> <li>Business Strategy &amp; Growth</li> <li>Risk Management</li> <li>Organisational Sustainability</li> </ul>	<ul> <li>Annual Reports / AGM</li> <li>Quarterly Financial Statement</li> <li>Extraordinary General Meetings</li> <li>Corporate / Analyst Briefing</li> <li>Investor Relations Office</li> <li>Analyst Discussions / Calls</li> <li>Press Release / Announcement to PSX</li> </ul>	Annual Quarterly AsRequired At least Annual As required As required As required
oldkeliolder s	Business Counterparts	<ul> <li>Contractual Performance</li> <li>Business Prospects &amp; Growth</li> <li>Ease of doing business</li> <li>Timely payment of Bills</li> <li>Ease of working</li> </ul>	<ul> <li>Visits</li> <li>Briefings</li> <li>Media Advertisements</li> <li>Bank's Website</li> </ul>	As required
	Regulators	<ul> <li>Regulatory Compliance</li> <li>Network Expansion &amp; Growth</li> <li>Microfinance and SME development</li> <li>Consolidation of the financial sector</li> </ul>	<ul> <li>On-site Monitoring / Periodic Returns</li> <li>Regulatory Directives and Circulars</li> <li>Meetings and Briefings</li> <li>Announcements / Press Releases</li> <li>Consultation on draft Regulations</li> </ul>	As specified
	Employees	<ul> <li>Performance and reward management</li> <li>Training and development</li> <li>Career advancement opportunities</li> <li>Work-life balance</li> <li>Retirement benefit plans</li> <li>Perception of a prosperous future for the Bank.</li> </ul>	<ul> <li>Groups' Off-site Conferences</li> <li>Town hall Meetings</li> <li>Training &amp; Development Programs</li> <li>Intranet</li> <li>Instructions Circulars/ Newline</li> <li>Employee Satisfaction Survey</li> </ul>	As required Frequent Ongoing Ongoing As required As required
	Community and Environment	<ul> <li>Responsible financing</li> <li>CSR to community</li> <li>Financial inclusion</li> <li>Ethics and business conduct</li> <li>Environmental performance</li> <li>Employment opportunities</li> </ul>	<ul> <li>Branch Network &amp; Delivery Channels</li> <li>CSR Initiatives</li> <li>Media Advertisements</li> <li>Public Events</li> <li>Bank's Website</li> </ul>	On-going As required As required On-going

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### **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 details, 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

Understanding of the evolving future

# Optimum liquidity

Internal Capital Adequacy Assessment Process

# Staff Code of Conduct

Corporate Governance

Integrated & Futuristic Thinking

Complete Financial Solutions

# Transparency

Robust Risk Management Framework



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Sustainability

Effective Compliance & Controls

Strong Financial Capital

Reputation & Brand Franchise

Whistle-blow Policy

Strong Risk Profile

Sustainability integrated into business strategy

Market Outreach

Stakeholders Engagement



# National Bank of Pakistan: A responsible corporate citizen

National Bank of Pakistan is a public sector commercial bank that is fully aware of its social obligations. Over the years it has integrated its social welfare and community development initiatives to achieve sustainable growth in the social and economic sectors of Pakistan.

The Bank runs its CSR program to facilitate the communities where it operates. Additionally, the Bank pro-actively extends support to a number of recognized charitable institutions for the uplift of underprivileged members of the society. The foremost area of focus for CSR initiatives are directed towards promotion of education, health, women and child welfare, special persons, culture, sports and relief for affectees of natural disasters. Every year the Bank invests huge funds for bringing positive change and improving the quality of life of the members of society.

NBP was recently awarded a 'Gold Medal' by the President of Pakistan in recognition of its CSR initiatives and achievements. In recognition to the CSR programs undertaken, NBP was also awarded the National Forum for Environment & Health (NEHF) CSR Business Excellence Award.



# 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 Kaus-e-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 – Kishmore, 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 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 labal, Wasim Raja and many others gave the bank a formidable team. Igbal 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





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. Technoloaical 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.

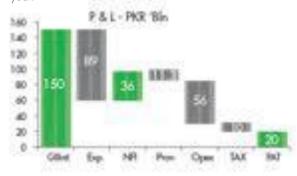
Nationally, economic activity & growth witnessed a slowdown during most of the year. Pressure on the balance of payments continued to mount, along with a decline in the country's forex reserves and depreciation of Pak Rupee. GDP growth is projected to slow to 4.3% during fiscal year 2019 (2018: 5.8%) 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 strenathening 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) 11.82% Net Mark-up/Interest Income 60.67 54.25 6.41 Non Mark-up Income 36.25 31.07 5.18 16.68% Total Revenue 96.92 85.32 11.60 13.59% (15.47%) 55.69 48.22 (7.46) Operating Expenses 40.98 36.79 4.19 11.40% Profit before-provision 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%) Einancial Position

Net Assets	206.87	175.38	31.49	17.95%
Total Assets	2,798.57	2,505.32	293.25	11.70%
Deposits	2,011.39	1,727.10	284.28	16.46%
Advances	926.01	739.77	186.24	25.17%
Investments	1,284.32	1,295.72	(11.40)	(0.88%)
Financial Position				



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# • 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.



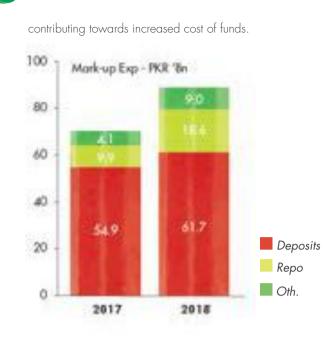
Mark-up/interest income earned on Advances amounted to PKR 69.36 billion which is 26.4% higher than PKR 54.9 billion earned during the prior year. The increase was recorded in all key products i.e. Corporate, Commodity, Consumer, SME and Islamic financing on account of both volumetric growth as well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



### • 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.

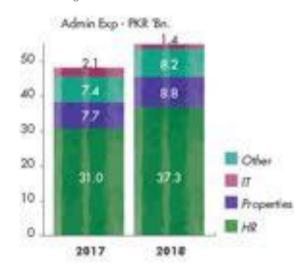


Given the lacklustre performance by the PSX during the year, both the dividend income and capital gain recorded a drop during the year, as some of the companies didn't declare dividend payout. Divided income dropped by PKR 1.21 billion to PKR 2.61 billion as against PKR 3.82 billion during 2017. Similarly, 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 is the expenses in 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:

Profit before tax for the year ended	PKR 'Bln
December 31, 2018	29.68
Taxation: - Current - Prior Year - Deferred	11.86 (20.75) 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

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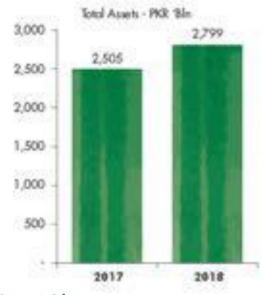
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# **Review of the Financial Position**

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.



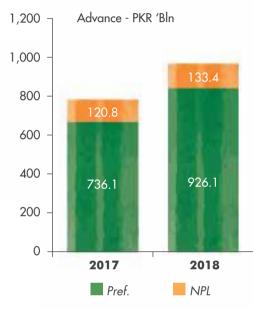
### • Loans & Advances

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

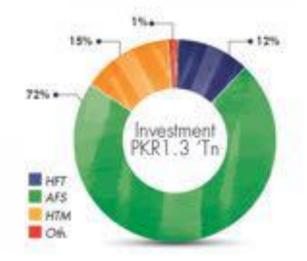


the requirements of the Prudential Regulations issued by the SBP, the Bank also maintains general loan loss reserve (provision) against performing consumer and SME advances. As of December 31, 2018 general provisions amounted to PKR 7.2 billion. NPL to Gross Advances ratio improved to 12.6% as compared 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 arowth 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

range of wide 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 PACRÁ 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 Aareement 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 059 2018 / ANNUAL REPORT



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:

- a. 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;
- b. 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;
- d. Approved accounting standards, as applicable to banks in Pakistan, have been followed in preparation of the financial statements;
- e. 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;
- g. 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;
- i. 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.
- I. Statement of Compliance with Code of Corporate Governance.
- III. Review of the performance of various Business and Support Groups.
- IV. Risk Overview & Management.
- V. Sustainability and Corporate Social Responsibility Report.
- VI. 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 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 also appreciate the role played by the Bank's employees

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



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.

Muhammad Imran Malik

Director

For and on behalf of the Board of Directors

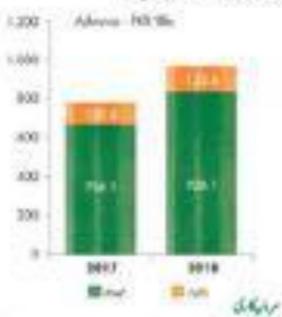
### Arif Usmani

President & CEO

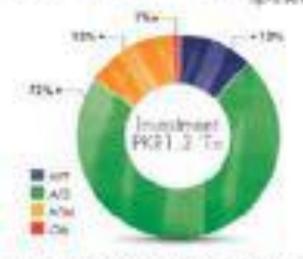
Karachi Dated: February 22, 2019 annual report 2018 / **061** 



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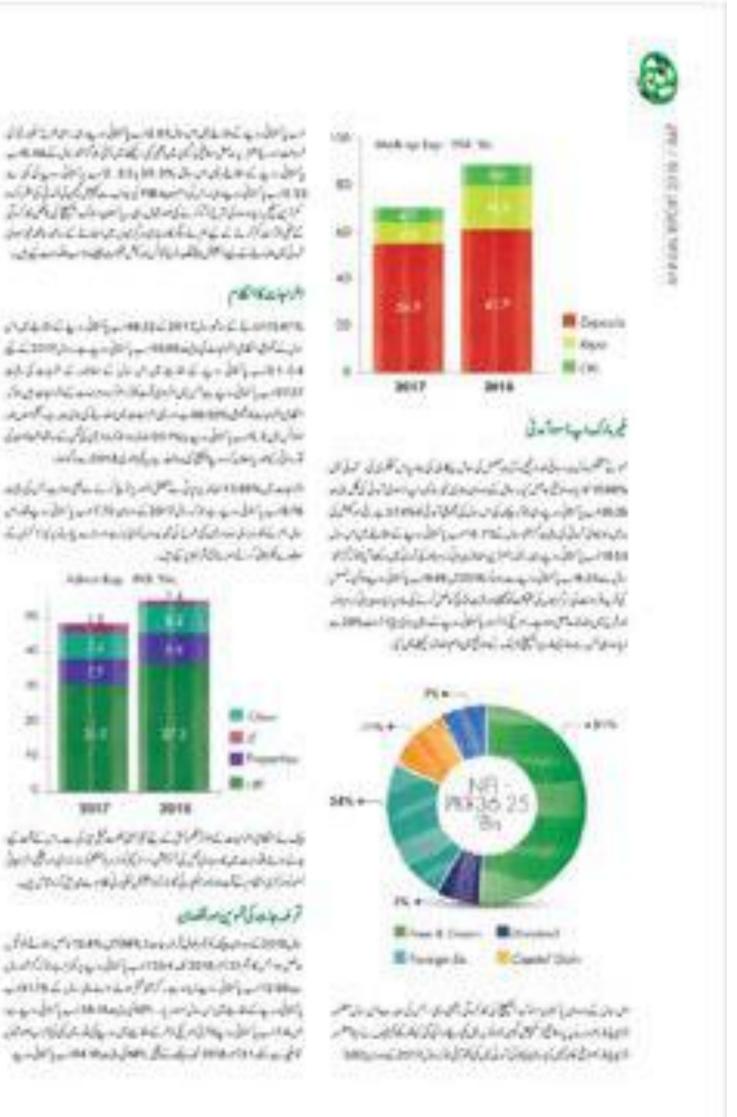
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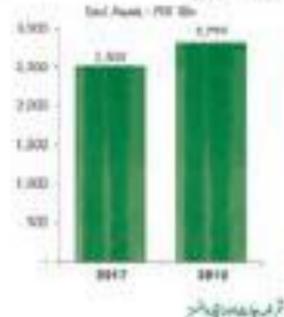
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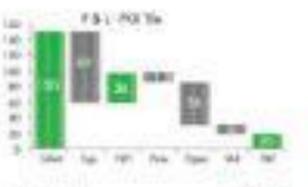
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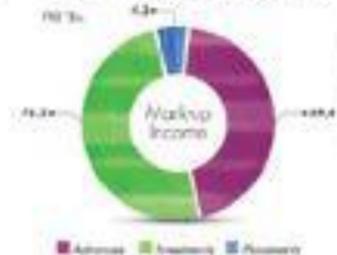


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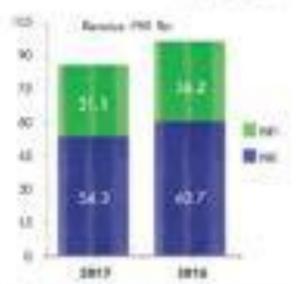
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### فترمص وفتكان

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# 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 Structure of CRBG was redefined in 2018 encompassing business professionals work tirelessly as a "one-stop-shop" to entire activities of branch banking thus strengthening support deliver universal banking services to NBP's corporate & apparatus and operational systems that facilitate business. In institutional clients. These include a full range of 2018. Field Structure was re-organized into 37 regions and customer-centric banking products & services including but for effective & convincing monitoring, Regions were divided in Four (4) Networks/Clusters supervised by Network not limited to working capital finance, term finance, foreign exchange loans, transactional banking services, inward & Monitoring Heads (NMHs) with predominant function of outward remittances, business-to-business collections & Business Growth. The post of NMH was created as extended payments, trust services, custodial services, structured trade arms of the Group Chief with partly handling Head Office finance, bill/receivable discounting, cash management policy affairs and also supervising all branch banking services, & advisory services, etc. just to name a few. The activities of respective networks. Better internal control. ambiance and branch uplift remained under focus along with CBG client coverage team also works very closely with NBP's other product partners (InvBG, Cash Management, addressing business growth. 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.





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#### 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.

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 ambiance 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.

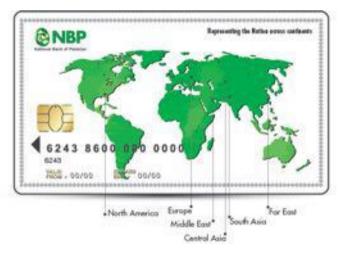
NBP's Treasury is among the market leaders in terms of volume & market making in Foreign Exchange and Rupee denominated products. In order to meet our customers growing demand for financial solutions and their banking requirements, the Treasury & Capital Markets Group progressively thrives to develop 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 standout 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, Fareast, 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 continue keep striving in providing better services to its clients and catering 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 strengthened our IT system and will continue 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 its contribution towards the development of Pakistan's infrastructure development.





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#### **Credit Management**

The Credit Management Group plays 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 Fls. 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 real-time 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 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; 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 aovernance 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 developed 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 Shahra-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 are:

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





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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 customers' 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" are 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.



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. 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).

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-widow 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 of SBP BSC, a proper mechanism has been established for sale of Premium Prize Bond
- Several polices 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 cases disposals 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 based on pre & post assessments. across the Pakistan Ombudsman related affairs, which has resulted into an improved representation both in terms of On e-Learning front Quizzes developed for Staff on attendance and quality, as the same has been AML/CFT, Fundamentals of Islamic Banking , Information acknowledged by the different Ombudsmen' offices. There Security Foundation, Customer Relationship Form, Account also have been dedicated efforts put in to improve the Bank's Opening Form-F-559, Operational Risk Reporting liaison with the External Law enforcement agencies i.e. FIA, Mechanism & Trade Finance. Total 4381 number of NAB etc., through dedicated intra-bank support to concerned employees passed the Quizzes. This number has been personnel/ departments and thereby ensuring prompt and included in 24983 employees trained 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 enhance 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 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 unique learning experience for participants which significantly increased motivation level and banking knowledge to enable them 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. Annual report 2018 /

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# Shariah Board's Report NBP Aitemaad - 2018 For the year ended December 31, 2018

بسم الله الرحمن الرحيم الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين وعلى أله 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 Bankina.

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 guarterly 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):

#### Other Developments:

- 1. Shariah Compliance Review (SCR) of Islamic Banking Branches and Departments:
- 2. Approval of Branch Conversions: process and found the same in adherence with the approved process and guidelines.
- 3. Product Development: / Agri and one (01) for consumer.
- 4. Internal Shariah Audit: 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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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.

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.

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

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

Alhamdulillah, NBP has established its Internal Shariah Audit Wing (ISAW) as instructed in SGF. This was informed by the

# Shariah Board's Report NBP Aitemaad - 2018 For the year ended December 31, 2018

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) ljarah
- 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 تُؤاخذنا ان نسينا أو اخطاناج ربنا ولا تحمل علينا اصرا كما حملته على الذين من قبلناج ربنا ولا تحملنا ما لا طاقةلنابه ج واعف عنا وقفه واغفرلنا وقفه وارحمنا وقفه انت مولنا فانصرنا على القوم الكفرينه

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 Waguar Ahmad Chairman Shariah Board NBP – Aitemaad

# Shariah Board's Report NBP Aitemaad - 2018 For the year ended December 31, 2018

بمدللہ! این بی پی اعتماد نے اس سال 22 مروجہ (کنونشنل) برانچوں کو اسلامی بینکاری برانچوں میں تبدیل کیا ہے، اور اس ساتھ ایک بٹی برانچ کا بھی افتتاح کیا ہے۔جس سے این بی پی اعتماد کی برانچوں کی کل تعداد 192

الحمدللہ! 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 گتی اطلاع کے مطابق شریعہ آڈٹ کے لئے مناسب عملے کی تقرری کردی گئی ہے، جو صرف شریعہ آڈٹ کے لئے مخصوص ہے ۔

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 ۔ کھاتہ جات(ڈیازٹس) کا جائزہ :

CASA این بی پی اعتمادکے ڈپازٹ میں 31 دسمبر، 2018تک ایک بہتر اضافہ نظر آیا۔ جوکہ 1.0005 بلین روپے رہا جو پچھلے سال کے 30,908 بلین روپوں میں39 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

ربنا لا تؤاخذنا ان نسينا او اخطاناج ربنا ولا تحمل علينا اصرا كما حملته على الذين من قبلناج ربنا ولا تحملنا ما لا طاقةلنابه واعف عنا وقفه واغفرلنا وقفه واخفرانا وقبه ارتحمنا وقفه انت مولنا فانصرنا على القوم الكفرينـ

ہم اللہ تعالی کے حضور دعا گو ہیں کہ وہ روز مرہ امور میں ہماری رہنمائی فرمائے تاکہ ہم خطاؤں سے بچ سکیں اوریہ کہ اسلامی بینکاری پاکستان میں مزید مستحکم ہو۔

مفتى محمد عمران ریزیڈنٹ شریعہ بورڈ ممبر این بی پی اعتماد

Date: February 22, 2019 Place: Karachi



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2018 /

**REPORT** 

ANNUAL I

#### 2- این بی پی کی مروجہ(کنونشنل) بینکاری برانچوں کی اسلامی برانچوں میں تبدیلی :

- 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۔ مصنوعات سازی (پراڈکٹ ڈیویلپمنٹ:
- کی مصنوعات (پراڈکٹس) متعارف کروا ئیہیں۔ جس کے بعد متعارف کرد ہ کھاتہ جات مصنوعات کی فہرست) (Deposit side) الحمدللہ!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 سیونگ 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- انٹ نل شریعہ آڈٹ:

#### 5- فنانسنگ اور سرمایه کاری کا جائزه :

#### 7- سال 2018 میں شریعہ بورڈ کے اجتماعات (میٹنگز) کا خلاصہ

- سال 2018 میں شریعہ بورڈ کی کل (6) میٹنگز منعقدبوئیں، 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 درچ ذیل
  - انٹ آفس میموز (IOMs):
  - میعادی کهاتوںکا قبل از وقت اختتام اور بند اکاؤنٹس
  - ii. خصوصی پولز بنانے اور ایک پول سے دوسرے پول اثاثہ جات منتقل کرنے کے لئے احکاما ت
    - -2 اعتماد پالیسیز :
    - . ئرىژرى يالىسى
    - ii. جامع ترمیم شدہ چیرٹی پالیسی
    - iii- اعتماد رننگ مشارکہ پالیسی خود کارسسٹم 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- احاره
          - iv- مرابحہ
          - ۲- شکت متناقصہ
    - 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 کمیلائنس اور انٹرنل / ایکسٹرنل شریعہ آڈٹ کے نتائج پر عمل درآمد کر نے کے لئے سفارشات(Action Recommendation)
    - 7- ترمیم شدہ شریعہ گورننس فریم ورک پر عمل درآمد کر نے کا طریقہ کار
    - 8- شریعہ کمپلائنس ڈپارٹمنٹ کےذریعے متعدد شرعی امور پر تحقیقات کا انعقاد

سفارشات:

بینک کے لئے ہماری سفارشات درج ذیل ہیں

- 1- سٹیٹ بینک آف پاکستان کی ہدایات کے مطابق ترجیحی بنیادوں پر پول مینجمنٹ ونگ اورنفع کی تقسیم کے طریقہ کار کومزید بہتر، خود کار اور مستحکم ہونا چاہئے ۔
- 2- ایچ آر((HR)) پالیسی اور این بی پی کے عملے کے لئے تمویلی سہولیات کی شرعی اصولوں کے مطابق تنفیذ کویقینی بنایا جائے 3- شریعہ بورڈ نے نےٹریننگ ڈپارٹمنٹ اور این ہی پی اعتماد کو ہدایات جاری کی ہیں کہ عملے کے لئے ابتدائی/ اعلی سطح کے مخصوص کورس ترتیب دۓ جائیں ، بشمول اسلامک تمویلی معاملات کو عملی طور پر نافذالعمل کرنے کی خصوصی ٹرینگ کو یقینی بنایا جائے جو کہ مختلف تمویلی طریقوں پر مشتمل ہو تاکہ شریعہ کمپلائنس کے پیچیدہ مسائل سے بچا جاسکے والله سنحانه وتعالى اعلم

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

مفتى احسان وقار احمد چیرمین شریعہ بورڈ این بی پی اعتماد



#### این بی پی اعتماد شریعہ بورڈ رپورٹ - 2018

بسم اللہ الرحمن الرحيم الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين وعلى أله وصحبه اجمعين اما بعد

این بی پی کے بورڈ آف ڈائریکٹرزکی طرف سے شریعہ بورڈ پر اعتماد اور بھرو سہ کرتے ہوئے انہیں یہ ذمہ داری سونہی گئی کہ وہ این بی پی اسلامی بینکاری کے ماحول اور شرعی احکام کی تعمیل(شریعہ کمپلائنس) کے سلسلے میں نگرائی 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 2018 ء تک بینک میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کا جائزہ لے چکے ہیں، جس کا خلاصہ پیش خدمت ہے۔

#### عہ بورڈ کی رائے

بورڈ ڈائریکٹرز اور اعلی انتظامیہ کی حتمی ذمہ داری ہےکہ وہ اس بات کو یقینی بنائیں کہ این بی پی اعتماد کے جملہ امور مکمل طورپر 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 (رپورڈ) پیش کرنا ہے۔

رپورٹ میں ذکر کردہ رائے قائم کرنے کے لئے بینک کے شریعہ کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معابدات، اس سے متعلق دستاویزات اور طریقہ کار میں سے چند بطور غو نے 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 پرہماری رائے یہ ہے شریعہ بورڈ کی جانب سے جاری کردہ ہدایات اور فتاویٰ پر بینک کی تعمیل (کمپلائنس

ا۔ شریعہ بورڈ کی رائے کے مطابق این بی پی اعتماد کی مجموعی صورت حال، مصنوعات، معاہدات اور معاملات شرعی اصولوں کے مطابق ہیں۔ تاہم فنانسنگ پورٹ فولیو کے شریعہ جائزہ کے دوران بعض بے قاعدیگیاں پائی گئی ، جن کی تصحیح کے لئے شریعہ بورڈ نے مینجمنٹ کو احکام جاری گئے ۔

#### 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 غیر ۔2019 بتاریخ 7 جون، 2018 کو جاری ہوا تھا) کے نفاذ سے متعلق اٹھائے گئے اقدام کو باقاعدہ بورڈ آف ڈاریکٹر نے منظور کر لیا ہے ۔ کے نفاذ سے متعلق احکامات کا مکمل جائزہ لیا اور جہاں ضرورت سمجھی مینجمنٹ کو ہدایات بھی دیں ۔ شریعہ بورڈ نے مینجمنٹ کو احکامات دئے کہ اس بات کو یقینی بنایا جائے کہ غیر شرعی امور SGFشریعہ بورڈ آف

کے نفاذ سے متعلق احکامات کا مکمل جائزہ لیا اور جہاں ضرورت سمجھی مینجمنٹ کو ہدایات بھی دیں ۔ شریعہ بورڈ نے مینجمنٹ کو احکامات دئے کہ اس بات کو یقینی بنایا جائے کہ غیر شرعی امور SGF شریعہ بورڈ نے میں شریعہ امور کی تعمیل کو اسٹاف کی کارکردگی میں باقاعدہ شمار کیا جائے اور ایک اہم مقصد قرار دیا جائے ۔ (Appraisa) پر کسی قسم کی تسامح نہ برتی جائے اور سالانہ جائزہ

#### 3- شریعہ کی تعمیل (کمپلائنس) کا طریقہ کار :

الحمد للہ! این بی پی اعتماد کے پاس پہلے سے بی 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 وقتا خاصل ہونے والے تجربات اور شریعہ بورڈ سے ملنی والی رہنمائی و ہدایات اور اسٹیٹ بینک کے احکامات کو مدِ نظر رکھتے ہوئے شریعہ کمپلائنس کے لئے گئی چیک لسٹیں تیار کر لی

لیا جاتا[/Shariah Compliance یہیں ۔ جن کی مدد سے کمزور پہلوؤں کی نشاندہی کے ساتھ ساتھ ان کے سدِ باب میں بھی رہنمائی حاصل ہوتی ہے اور دورانِ شریعہ کمپلائنس , برانچزاورڈپارٹمنٹس کا جائزہ ہے ۔ مزید برآں، بنک کےعملے کی اسلامک بینکنگ اینڈ فنانس کے حوالے سے بنیادی علمی معلومات کو بہتر بنانے کے لئے شریعہ کمپلائنس ڈپارٹمنٹ نے باقاعدہ ٹیسٹ پیپرز بھی تیار کئے ہیں، جن کی مدد سےعملے کی اسلامی بینکاری اور فنانس کی معلومات اور آگاہی کو جانجا جاتا ہے ، نیز عملے کی مزید ٹریننگ کی ضرورت کے حوالے سے بھی آگاہی حاصل ہوتی ہے۔

#### 4- ایسا طریقہ کار کہ جس سے ممنوع آمدن، چیریٹی (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 معاملات کا جائزہ لیا ہے تاکہ اس بات کو یقینی بنایا جائے کہ یہ معاملات شریعہ بورڈ سے منظورشدہ 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 ٹریژری کے معاملات کا جائزہ بھی لیا جاچکا ہے۔

دورانِ 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 اورایس او پی شفافیت حاصل ہوتی ہے۔ اس کے ساتھ اسٹیٹ بینک کی طرف سے جاری کردہ سرکلر کے مطابق شریعہ کمپلائنس ڈپارٹمنٹ سال 2018 کے دوران مابانہ بنیادوں پر نفع کی قبل از تقسیم اورپول مینجمنٹ کا جائزہ لیتا رہا ہے۔ اسی طرح تقسیم کے بعد سہ ماہی بنیاد وں پر پول مینجمنٹ کا انٹرنل شریعہ آڈٹ بھی ہوا ہے،جس سے پول مینجمنٹ اور نفع و نقصان کی تقسیم کا عمل بولیا ہے اور شریعہ کمپلائنس کا نظام مزید مضبوط ہوگیا ہے۔

#### عملے کی تربیت برائے اسلامی بینکاری اور سرمایہ کاری :

الحمدان الداللہ اللہ 2011 میں شریعہ بورڈ نے بینک کے بورڈ آف ڈاریکٹرز کو اسلامک بینکنگ اینڈ فنانس سے متعلق بنیادی ٹریننگ دی۔ مزید یہ کہ شریعہ کمپلانس 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 ہی پی اعتماد نےٹریننگ ڈپارٹشنٹ اور شریعہ کمپلائنس ڈپارٹمنٹ کی شراکت سے پانچ روزہ ترییتی 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 آگابی فراہم کی جاسکے۔ المعد للہ!اس سال عملے کے لئے اس نوعیت کے23 پروگرام منعقد کتے گئے جن کے ذریعے عملے کو شرکت کرنا ضروری ہے، تاکہ ان کو کے شرعی میں بینکاری اور سرمایہ کاری کے بنیادی تصورات سے آگابی فراہم کی جاسکے۔ المعد للہ!اس سال عملے کے لئے اس نوعیت کے23 پروگرام منعقد کتے گئے جن کے ذریعے عملے کے 282 لفراد کو تربیت کے شرعی معیارات کےکورس کے لئے بھی نامزد کیا جس کی مدد سے ان آفیسرز نے شریعہ اور ACOIF مراہم کی گئی ۔ بینک نے شریعہ کمپلائنس ڈپارٹمنٹ اور شرعی معلیے کے 28 لفراد کو تربیت کی شرعی معیارات کےکورس کے لئے بھی نامزد کیا جس کی مدد سے ان آفیسرز نے شریعہ اور ACOIF مرازی کی ٹی میں میں مزید نکھار ہیں ادارے میں کے شرعی معیارات سے اپنی صلاحیتوں میں مزید نکھار پید آگیا ۔ شریعہ کمپلائس ڈپارٹمنٹ کے تمام میلے کی اس بارے میں حو کے ذریعے پوچھ کر حل کریں ۔ اس طریقہ کار سے بینک کے عملے کو ایک پلیٹ فارم میںا کیا گیا جس کے ذریعے نہ صرف ان کی تربیت ہوتی Ask Shariah portal میں بھی سوال و الجھن کو ہے، بلکہ ان کے روز مرہ مے کامی اور صارفی کے لئے اس کی میں معیاد حس کی ذریعے بند صرف ان کی تربیت ہوتی Ask Shariah

#### 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 کےلئے تقرری ہوچکی ہے، تاہم اعلی 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 کمپلائینس 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 افراد کی تقرری اور تبادلہ باقاعدہ شریعہ بورڈ کی منظوری سے ہونا چاہیے۔

#### دیگر تعمیری سرگرمیاں

#### اسلامک بینکنگ برانچز اور ڈپارٹمنٹس کا شرعی جائزہ :

سمیت پیشت پریز روز چی پرسس تا دری برد. شریعہ کمپلائنس ڈپارٹمنٹ نے سال 2018 میں اعتماد اسلامک برانچز کا پورے 100 فیصد جائزہ لیا، جس میں 17 برانچوں کا بذریعہ آف سائیڈاور 99 برانچوں کا باقاعدہ جاکر جائزہ لیا گیا ۔ نیز شریعہ کمپلائنس ڈپارٹمنٹ نے سال 2018 کے دوران مابانہ بنیاد پر پول مینجمنٹ کا نفع و نقصان کی تقسیم سے پہلے جائزہ لیا رہا ہے۔ اس کے ساتھ ساتھ اعتماد ٹریژری، مارکیٹنگ اور فنانسنگ پورٹ فولیو کا بھی سال 2018 میں باقاعدہ اسٹیٹ بینک کے شریعہ گورنس 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 یاسداری 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

Date: February 22, 2019 Place: Karachi



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Muhammad Faraz Haider Group Chief, Compliance Group

# 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:-

Name	Category		
Mr. Muhammad Naeem	Independent Director	Appointed by Federal	
Mr. Asad Munir	Independent Director	Government under Section	
Mr. Muhammad Imran Malik	Independent Director	11(3)(a) of The Banks	
Mr. A. Akbar Sharifzada	Non - Executive Director	(Nationalization) Act, 1974.	
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) (refe 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

- maintained
- ers as empowered by the relevant provisions of the Act and these Regulations.
- circulating minutes of meetings of board.
- Act and these Regulations
- 12. Majority of the Directors have already undergone the training.
- 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	
1	Mr. Tariq Jamali	
2	Mr. Muhammad Naeem	
3	Mr. Farid Malik	



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8. The board has developed a vision/mission statement, overall corporate strateay 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

9. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ sharehold-

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

11. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the

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

Status
Chairman
Member
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 Karachi 75350, 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

Date: February 22, 2019 Place: Karachi



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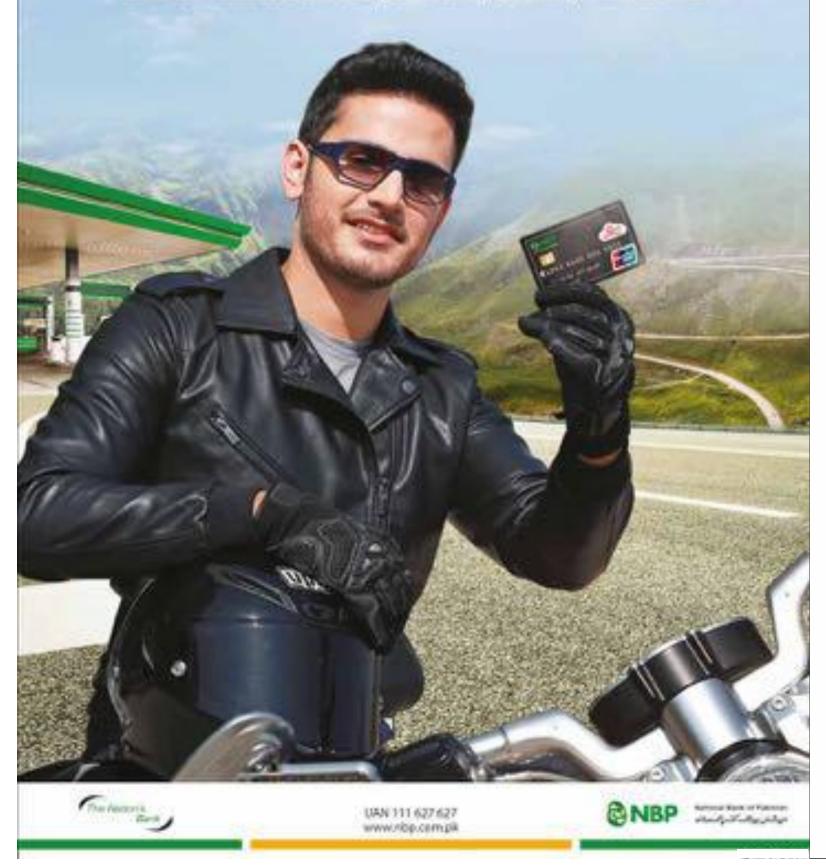
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#### Grant Thornton Anjum Rahman Chartered Accountants 1 st & 3rd Floor, Modern Motors House Beaumont Road Karachi 75530, Pakistan

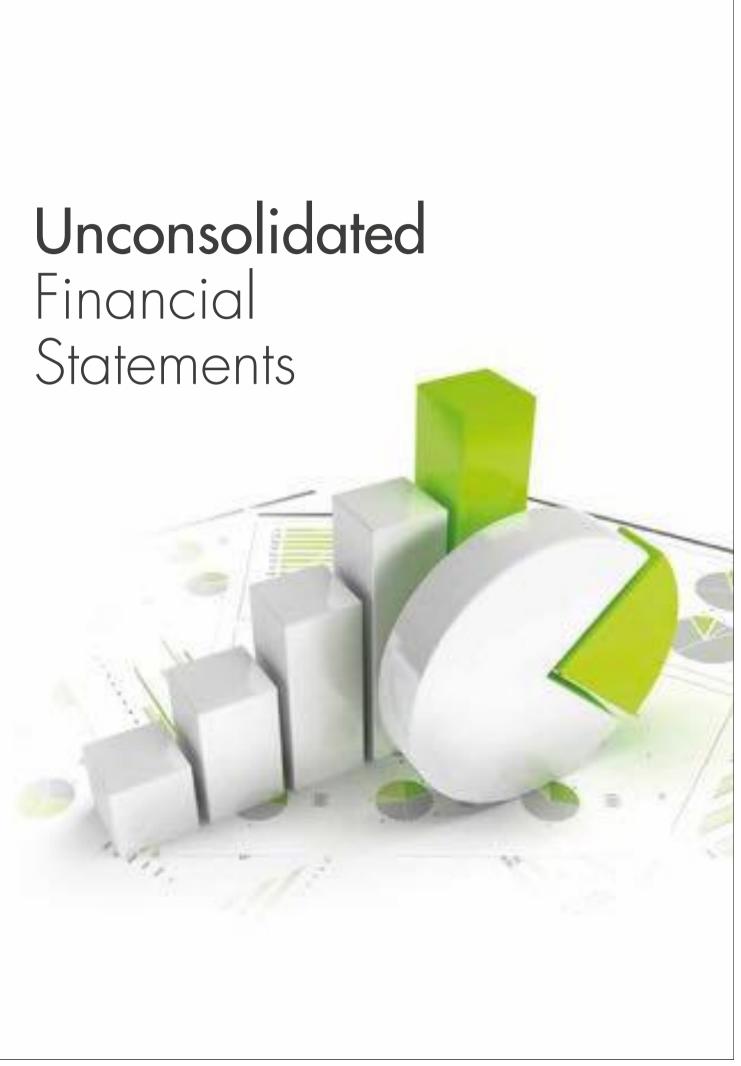
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# NBP goes Digital! With EMV Debit Card

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.



# Financial Statements





Deloitte Yousuf Adil Chartered Accountants Cavish Court, KCHSU Shahrah-e-Faisal Karachi 75350, 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.

Grant Thornton Anjum Rahman Chartered Accountants 1 st & 3rd Floor, Modern Motors House Beaumont Road Karachi 75530, Pakistan

. No.	Key Audit Matters
	•
I.	Impairment of loans and advances As disclosed in note 11 to the unconsolidated financ statements, gross loans and advances of the Bank were H 1,059 billion against which non-performing loans a advances (NPLs) were of Rs. 133 billion. The Bank h recorded Rs. 126 billion as specific provision against NF and Rs. 7.2 billion as general provision.
	The carrying value of loans and advances to custome may be materially misstated, if impairment is r appropriately identified and estimated as t determination of impairment provisions remains subjecti and judgmental area in addition to objective criteria classification of loans and advances as per Prudent Regulations. Furthermore, the Bank is required to ma provision, if any, identified by the regulator (SBP).
	We considered this as a key audit matter as the Bank addition to following objective criteria also mak significant and subjective judgements and mak assumptions to determine the provision and the timing recognition of such provision and their impact could material to the unconsolidated financial statements.
2.	Valuation of listed equity shares, units of mutu funds and term finance certificates classified available-for-sale
	As disclosed in note 10.1 to the unconsolidated finance statements, the Bank has significant investment in equi- shares, units of mutual funds and term finance certificat (TFCs) classified as available for sale. As per the Ban policy, listed equity shares and units of mutual funds of required to be considered for impairment when there is significant or prolonged decline in the fair value investments except where SBP relaxation has be obtained. Further, TFCs are required to be assessed as p the SBP's Prudential Regulations which involves subject criteria.
	The significance of the investment amount, subjectiv involved and assumptions used in impairment make significant to the unconsolidated financial statemen Therefore, we have considered this as a key audit matter
3.	Change in accounting policy as a result of chang in the Companies Act, 2017, and changes in th format for the financial statements issued by th State Bank of Pakistan (SBP)
	As referred in note 6 to the unconsolidated finance statements, the Companies Act, 2017 (the Act) becar applicable which changed the accounting treatment a presentation of surplus on revaluation of fixed asse Previously, the deficit arising on revaluation of fixed asse was adjusted against the total balance in the surpl account, or if there was no surplus, it was charged to pro- and loss account. Surplus was also presented in t financial statements below equity. As per the revis changes, deficit arising on any particular item of fixe



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	How th	ne matter was addressed in our audit		
	For sele	cted samples, we:		
ncial e Rs. and	٠	Updated our understanding and evaluated design and implementation of relevant controls;		
has NPLs mers	<ul> <li>evaluated borrowers through repayment behavior of assessment of financial strength based on the availa financial statements, adequacy of security/collater electronic credit information bureau (eCIB) reports of compliance with Prudential Regulations;</li> </ul>			
not the ctive	٠	evaluated the appropriateness of subjective evaluation made by management for performing parties;		
a for ntial nake	٠	ensured that any provision identified by the SBP was recognized ; and		
ik in akes akes g of d be	٠	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 Pruden- tial Regulations.		
	minutes	ion to the above, on a sample bases, we also reviewed of the meeting of credit and audit committees to identify posures.		
tual as	On a s procedu	ample basis, we have performed the following pres:		
ncial quity	٠	each investment's cost was compared to its market value where available to determine decline / surplus in valuation;		
ates ink's are is a e of peen	•	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		
tivity tivity tents. tter.	٠	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.		
iges	Our au	dit procedures included the following;		
the the	•	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.		
and sets. ssets plus profit	٠	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		
the rised ced	٠	assessed the competence, objectivity and independ- ence of the valuers engaged by the Bank.		

S. No.	Key Audit Matters	How the matter was addressed in our audit			
	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. 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. 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. 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. We have considered the above as key audit matter due to change in policy and involvement of the expert by the Bank.	<ul> <li>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</li> <li>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.</li> </ul>			

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

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the 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:

- control
- disclosures made by management.
- report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- 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

- Based on our audit, we further report that in our opinion:
  - returns referred above from the branches have been found adequate for the purpose of our audit;
  - Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
  - Bank: and
  - deposited in the Central Zakat Fund established under section 7 of that Ordinance.



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 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

• 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

· 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

• 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

a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the

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

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

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and

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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

# NOTES:



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# 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
			ASSETS				
1,153,467	1,152,869	1,782,478	Cash and balances with treasury bank	s 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
			Liabilities against assets subject to				
185	104	-	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.

# Unconsolidated Profit and Loss Account For the year ended December 31, 2018

2017	2018			2018	2017
US Dolle	ars in '000		Note	Rupee	es 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	20	60,666,230	54,252,879
070,077	400,002	Net markey / felotiny miletesi meome		00,000,200	34,232,077
		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
				_	
	Dollars		2.4		Jpees
0.08	0.07	Basic earnings per share	34	9.41	10.82

Arif Usmani President

A. Akbar Sharifzada Muhammad Naeem Director Director

Muhammad Imran Malik Director

Arif Usmani President

0.08

Abdul Wahid Sethi Chief Financial Officer

0.07 Diluted earnings per share



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integral part of these unconsolidated financial statements.

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A. Akbar Sharifzada Director

Muhammad Naeem Director

Muhammad Imran Malik Director

10.82

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

2017 US Dolla Restated	2018 ars in '000	Note	2018 Rupe	2017 es in '000 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 Movement in deficit on revaluation of	915,995	909,953
(57,381)	(69,818)	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 Movement in surplus on revaluation of	155,785	(2,755,579)
_	145,913	fixed assets - net of tax	20,261,759	_
		Movement in surplus on revaluation of		
7,544	(1,203)	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.

#### Arif Usmani President

A. Akbar Sharifzada Director

Muhammad Naeem Muhammad Imran Malik Director

Director

# Unconsolidated Statement of Changes in Equity For the year ended December 31, 2018

			Re	Reserve				Surplus (	Surplus on revaluation of assets	of assets		
	Share capital	Exchange	Statutory	Merger	General	Revenue			Fixed /		Unappropriated	Total
		translation	reserve	reserve	loan loss	general	Total	Investments	non-banking	Total	profit	
					reserve	reserve			assets			
						Rupees in '000	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	20,014,623
Impact of reassessment			·					33,938,753	22,779,400 56,718,153	56,718,153		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	521,338 46,800,341	33,938,753	22,779,400	56,718,153	22,779,400 56,718,153 51,939,151 176,732,776	76,732,776
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)	(2,755,579)	(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	



ran Malik	Muhammad Imran Malik <sup>Diractor</sup>	W	eem	Muhammad Naeem Director	μυM		A. Akbar Sharifzada Director	A. Akbar Sha		Sethi Dfficer	Abdul Wahid Sethi Chiaf Financial Officer	Arif Usmani Precident
				ments.	ncial stateı	ted fina	inconsolido	of these u	tegral part	form an int	xures I and II	The annexed notes 1 to 50 and annexures I and II form an integral part of these unconsolidated financial statements.
206,868,535	72,332,877	59,986,125	43,710,505	53,274,402 16,275,620	53,274,402	521,338	12,000,000	343,802	31,490,829	8,918,433	21,275,131	Balance as at December 31, 2018
												<b>Transactions with owners, recorded directly in equity</b> Cash dividend (Rs. Nil per share)
	102,829	(102,829)	(102,829)									Transfer from surplus on revaluation of assets to unappropriated profit - net of tax
11,471,332 -	155,785 (2,001,512)	10,399,552 -	915,995 (9,695,113) 20,094,665 10,399,552 .001,512	(9,695,113) -	915,995 2,001,512	• •			- 2,001,512	915,995 -		Other comprehensive income - net of tax Transfer to statutory reserve
20,015,122	20,015,122											Profit after taxation for the year ended December 31, 2018
175,382,081	50,356,895 25,970,733 23,718,669 49,689,402 54,060,653 175,382,081	49,689,402	23,718,669	25,970,733	50,356,895	521,338	343,802 12,000,000	343,802	29,489,317	8,002,438	21,275,131	Balance as at December 31, 2017
(15,956,348)	<ul> <li>(15,956,348) (15,956,348)</li> </ul>											Cash dividend paid for the year ended December 31, 2016 (Rs. 7.5 per share)



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

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2017	2018		2018	2017
US Dollo	ars in '000	Note	Rupe	es 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 32	11,300,373	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	,	
100	7	classified as held-for-trading	1,033	13,829
36,003	43,396	Charge for defined benefit plans - net	6,026,025	4,999,470
66,004	143,139		19,876,824	9,165,190
294,853	338,086		46,947,450	40,943,524
27 17000	,	(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)
(4,7 04,7 00)	2,000,071	Increase / (decrease) in operating liabilities	024,000,772	(000,012,172)
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	Other habilities lexcloding corrent laxation)	239,085,360	397,095,904
2,007,040				577,075,704
(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)	0,370	Investment in associates	713,773	(108,472)
(701)	-	Net cash flows (used in) / generated from	-	[100,472]
1,932,427	(3,861,567)	investing activities	(536,224,440)	268,340,483
1,752,427	(5,001,507)	investing derivines	(550,224,440)	200,540,405
		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 36	227,752,888	166,631,774

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2017

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

Arif Usmani	Abdul Wahid Sethi	A. Akbar Sharifzada	Muhammad Naeem	Muhammad Imran Malik
President	Chief Financial Officer	Director	Director	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

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

- consolidated financial statements.
- 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:
  - under the Companies Act, 2017;
  - Companies Act, 2017;

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.

- of various circulars issued by the SBP.
- established under Trust structure.



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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

2.2 These are unconsoliated 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

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

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified

Islamic Financial Accounting Standards (IFAS), issued by Institute of Chartered Accountants of Pakistan as notified under the

- 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);

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

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

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

#### 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 auidance 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	Effective date is deferred
'Investments in Associates and Joint Ventures' - Sale or contribution of assets	indefinitely earlier adoption
between an investor and its associate or joint venture	is permitted
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term	is permitted
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	54.104.7 01.7 201.7
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.	
	L
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
Other than the aforesaid standards, interpretations and amendments, the International Accoun	ting Standards Board (IASB) has
also issued the following standards which have not been adopted locally by the Securities	
also issued the following sundards which have not been adopted locally by the becomes	and Exchange Commission of

- 3.4.3 Pakistan:
  - IFRS 1 First Time Adoption of International Financial Reporting Standards
  - IERS 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

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.

#### BASIS OF MEASUREMENT 4.

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.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 5.

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:

- unrealized gain / (loss) on revaluation being taken to profit and loss account.
- intention and ability to hold to maturity. These are carried at amortised cost.
- profit and loss account for the year.



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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

- 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

- Held-to-maturity - These are securities with fixed or determinable payments and fixed maturity that are held with the

- 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

- Previously, the Bank's accounting policy for surplus / (deficit) on revaluation of available-for-sale securities were in accordance with the 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.

#### Repurchase and resale agreements 5.3

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.

#### Derivative financial instruments 5.4

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.

#### Financial instruments 5.5

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

- Fixed assets and depreciation 5.7
- 5.7.1 Property and equipment

#### 5.7.1.1 Owned assets

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.

- previous revaluation of that asset.
- and depreciation charge for the year is taken to the profit and loss account; and
- to the extent of the incremental depreciation charge for the year.
- 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



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Property and equipment except land and buildings are stated at cost less accumulated depreciation and accumulated

- 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 recoanised 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

- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation

- 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

On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation

#### 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.

#### Intangible assets 5.8

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.

#### Non-banking assets acquired in satisfaction of claims 5.9

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 gualified 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.



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#### 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 Ruppes 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 seaments**

The Bank is operating following business lines for monitoring and reporting purpose Commercial and Retail Banking consists of loans, deposits and other banking services to individuals, agriculture,

- consumers SME and commercial customers
- credit, lending and funding activities with professional market counterparties.
- Bank's operations outside of Pakistan.
- as a separate business segment.
- seament

#### **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 polices. 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

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.

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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

IV. International Banking is considered as a separate segment for monitoring and reporting purpose and consists of the

V. Aitemaad Islamic Banking; for monitoring and reporting purpose Islamic Banking has also been reported separately

VI. Head Office / Others includes corporate items and business results not shown separately in one of the above

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.

#### e) Income taxes

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

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

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

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

#### g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 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.

#### CHANGE IN ACCOUNTING POLICY 6.

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 o	at December 31,	2017	As at	December 31, 2	2016
	As previously	Restatement	As	As previously	Restatement	As
	reported		restated	reported		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

#### 7. CASH AND BALANCES WITH TREASURY BANKS

- In hand Local currency Foreign currency
- With State Bank of Pakistan in Local currency current account Foreign currency current account Foreign currency deposit account Foreign currency collection account
- With other central banks in Foreign currency current account Foreign currency deposit account

#### Prize bonds

- 7.1
- 7.2 the SBP.
- 7.3 deposit accounts carry interest at the rate of 0% to 0.75% per annum (2017: 0% to 1.5% per annum).

#### BALANCES WITH OTHER BANKS 8.

In Pakistan In deposit account

Outside Pakistan

- In current account
- In deposit account
- 8.1 5.9% per annum).
- 8.2 per annum (2017: 0% to 4.1% per annum).



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Note	2018 Rupe	2017 es in '000
	39,549,448	29,007,736
	4,415,703	3,654,759
	43,965,151	32,662,495
7.1	130,180,519	89,109,444
7.2	7,029,780	4,872,088
7.2	21,240,971	14,580,863
	1,812,339	933,308
	160,263,609	109,495,703
7.3	41,438,832	17,019,562
7.3	1,455,866	587,511
	42,894,698	17,607,073
	394,812	324,348
	247,518,270	160,089,619

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

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

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

	2018	2017
Note	Rupee	es in '000
8.1	4,307	2,808,878
	4,307	2,808,878
	6,437,346	7,644,195
8.2	5,760,367	15,950,833
	12,197,713	23,595,028
	12,202,020	26,403,906

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

These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 2.16%

			2018	2017
		Note	Rupee	es 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 lendings to financial institutions	9.6	(176,150)	(176,150)
	Lendings to financial institutions - net of provision		106,391,667	26,916,113

- This represents zero rate lending to a financial institution amounting to Rs. 40.8 million (2017: Rs. 40.8 million) which is 9.1 guaranteed by the SBP.
- 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 9.2 ranging from January 2, 2019 to January 14, 2019.
- This represents Bai Muajjal agreement entered into with SBP and carries mark-up rate of 6.33% per annum. 9.3
- These are overdue placements and full provision has been made against these placements as at December 31, 2018. 9.4

	2018	2017
	Rupee	s in '000
Particulars of lending		
In local currency	106,567,817	27,092,263
In foreign currencies	-	-
	106,567,817	27,092,263
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	Further given	Total	Held by	Further given	Total
	Bank	as collateral		Bank	as collateral	
			Rupees	s 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 million).
- Category of classification 9.8

#### Domestic

Other assets especially mentioned Substandard Doubtful Loss

Overseas Not past due but impaired

#### Overdue by:

Upto 90 days 91 to 180 days 181 to 365 days > 365 days

Total

9.5

9.6



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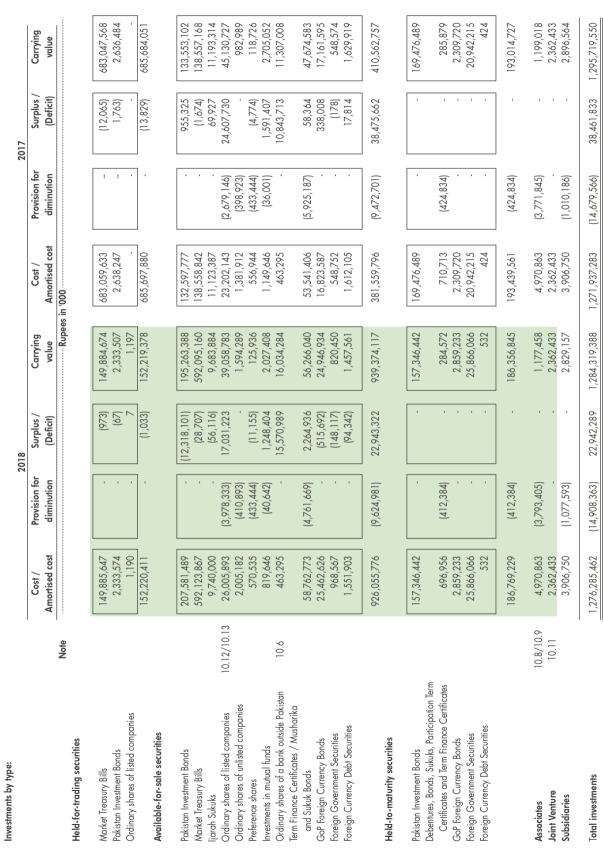
Market value of the securities under repurchase agreement lendings amounts to Rs. 95,739 million (2017: Rs. 25,401

20	18	20	17
 Classified	Provision	Classified	Provision
Lending	held	Lending	held
 	Rupees	in '000	
-	-	-	-
-	-	-	-
-	-	-	-
176,150	176,150	176,150	176,150
176,150	176,150	176,150	176,150
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-		-
-	-		-
176,150	176,150	176,150	176,150

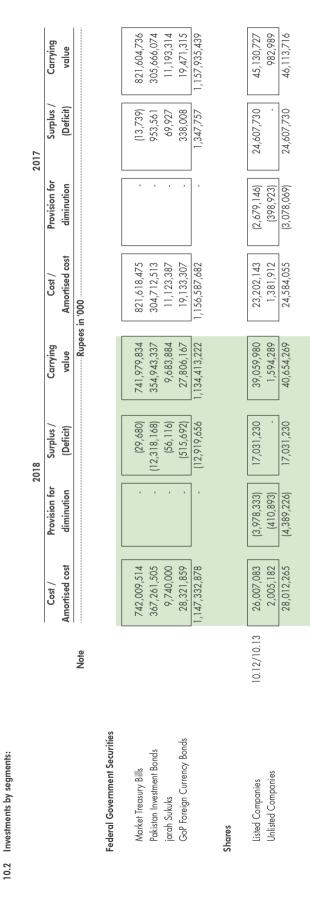


# INVESTMENTS 0.

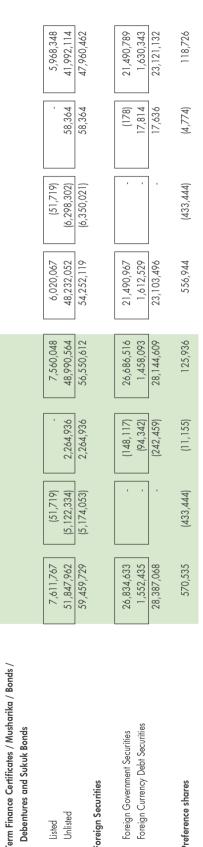
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# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018







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			2	2018			2	2017	
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
	Note				Rupees	Rupees in '000			
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 Pakistan10.6		463,295		15,570,989	16,034,284	463,295	·	10,843,713	11,307,008
Associates Listed									
First Credit and Investment Bank Limited Land Mark Spinning Mills Limited		157,429 39,710	(106,430) (39,710) (316,525)		50,999	157,429 39,710	(106,428) (39,710)		51,001
o.c. ruotes umited Nina Industries Limited NAFA Stock Fund		49,060 600,000	(660,012) (49,060) -		000'009	49,060 600,000	- - -		- - -
Agritech Limited	10.7 10.8	3,665,605 4,730,339	(3,167,336) (3,581,071)		498,269 1,149,268	3,665,605 4,730,339	(3,149,314) (3,563,047)		516,291 1,167,292
Unlisted									
Pakistan Emerging Venture Limited		50,563	(50,563)		,	50,565	(50,565)		
National Fructose Company Limited		6,500	(6,500)		' (C	6,500	(6,500)		' cc
National Assets Insurance Company Limited Dadabhoy Energy Supply Company Limited		44,817 32,105	(10,027) (32,105)		- 28,190	32,105	(10,027) (32,105)		
Pakistan Mercantile Exchange Limited		106,539	(106,539)			106,539	(103,000)		3,539
	10.10	240,524	(212,334)		28,190	240,524	(208,797)	•	31,726
Joint Venture	10.9	4,970,863	(3,793,405)		1,177,458	4,970,863	(3,771,845)		1,199,018
United National Bank Limited	10.11	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 Tapikistan NBP Exchance Company Limited		300,000	- (289,/,660)		300,000	300,000	-		300 000
NBP Modaraba Management Company Limited		105,000	(75,702)		29,298	105,000	(8,295)	1	96,705
Taurus Securities Limited		24,725			24,725	24,725	. 1	ı	24,725
Cast-N-Link Products Limited NBP Fullerton Asset Manatement Limited		1,245 336.353	(1,245)		286.353	1,245 336.353	(1,245)		286.353
2		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

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

								2018	2017
10.2.1 Investments aiven as collateral								Rupee	Rupees in '000
Pakistan Investment Bonds Market Treasury Bills								9,500,000 274,350,000	7,700,000 311,339,019
								283,850,000	319,039,019
	Number	Percentage	Country	Based on the				Profit / (loss)	Total
	of	of	of	financial	Assets	Liabilities	Revenue	after	comprehensive
	shares	holding	incorporation	statements as at				taxation	income
					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	ı					
Youth Investment Promotion Society	644,508	25.00	Pakistan						
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	ı	·				
K-Agricole Limited	5,000	20.00	Pakistan	·					
New Pak Limited	200,000	20.00	Pakistan						



		Number	Percentage	Country	Based on the				Profit / (loss)	Total
		of	of	of	financial	Assets	Liabilities	Revenue	after	comprehensive
		shares	holding	incorporation	statements as at				taxation	income
						Rupees in '000				
	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		·	·			
10.2.3	10.2.3 Joint Venture									
	United National Bank Limited	20,250,000	45.00	United Kingdo	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)
	Cast-N-Link 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

10.3 Provision for diminution in value of investments

Opening balance

Charge / reversals Charge for the year Reversals for the year

Transfers - net Others movement Closing balance

10.3.1 Particulars of provision against debt securities

Category of classification

#### Domestic

Other assets especially mentioned Substandard Doubtful Loss

#### Overseas

Not past due but impaired Overdue by: Upto 90 days 91 to 180 days 181 to 365 days >365 days

Total



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2018 2017 Rupees in '000

14,679,566	17,404,984
1,599,536	1,537,553
(1,370,739)	(3,281,087)
228,797	(1,743,534)
-	(1,004,153)
-	22,269
14,908,363	14,679,566

20	18	20	17
NPI	Provision	NPI	Provision
	Rupee	es in '000	
-	-	-	-
-	-	-	-
-	-	-	-
5,182,817	5,174,053	6,417,651	6,350,020
5,182,817	5,174,053	6,417,651	6,350,020
	-		, ,
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,182,817	5,174,053	6,417,651	6,350,020



10.4

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

	2018	2017
Quality of available for sale securities	Rupee	s in '000
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

#### Unlisted companies

Digri Sugar Mills Limited JDM Textile Mills Limited Gelcaps Pakistan Limited INTECH International Incorporation Pakistan Agriculture Storage Service Corporation (Face value: Rs.1,000 each) Resources and Engineering Management Corporation (Private) Limited Sigma Knitting Mills (Private) Limited Al Ameen Textile Al Zamin Modarba Management (Private) Limited AMZ Venture Limited Class A Arabian Sea Country Club Atlas Power Limited Attock Textile Mills Limited Bankers Equity Limited Bunny's Limited Pakistan Mortgage Refinance Company Limited Dadabhoy Leasing Company Limited F.T.C. Management Company Private Limited Fauji Akbar Portia Marines Terminal Limited Fauji Oil Terminals and Distribution Limited First Women Bank Limited Fortune Securities Limited Frontier Textile Mills Limited Gulistan Power Generation Limited Hazara Woolen Mills Limited Industrial Development Bank of Pakistan Insecta Pakistan Limited Inter Asia Leasing Company Limited ISE Towers REIT Management Company Limited Junaid Cotton Mills Limited Kaisar Arts and Krafts Limited Kaytex Mills Limited , Mian Mohammad Sugar Mills Limited Muslim Ghee Mills Limited Myfip Video Industries Limited National Asset Leasing Corporation Limited National Construction Limited National Film Development Corporation Limited National Institution of Facilitation Technology (Private) Limited National Investment Trust Limited National Woolen Mills Limited Natover Lease and Refinance Newyork Poly Clinic of Karachi Nowshehra Engineering Works Limited Pakistan Export Finance Guarantee Agency Limited Pakistan Paper Corporation Limited Pakistan Telephone Cables Pakistan Textile City Pakistan Tourism Development Corporation People Steel Mills Limited



20	)18	20	17
Cost	Breakup value	Cost	<b>Breakup value</b>
	Rupees	in '000	
4,063	135,585	4,063	135,585
4,784	331,931	4,784	308,584
4,665	25,340	4,665	25,340
-	-	-	-
5,500	109,831	5,500	109,831
-	(484,696)	-	(484,696)
-	(6,793)	-	(6,793)
328	N/A	328	N/A
1,000	2,134	1,000	2,134
122	N/A	122	N/A
6,500	N/A	6,500	N/A
375,000	822,501	375,000	805,365
200	(1,412)	200	(1,412)
-	5,646	- 235,200	5,646
235,200	128,556		126,273
600,000	400,950	26,730	400,950
250	2,327 34,657	250	2,327 34,657
321,076	171,350	321,076	212,867
10,886	45,199	10,886	36,519
21,100	71,946	21,100	86,234
5,000	8,975	5,000	8,334
500	272	500	272
2,200	8,096	2,200	8,096
200	N/A	200	N/A
107	N/A	107	N/A
-	315	-	315
500	N/A	500	N/A
30,346	36,058	30,346	36,286
328	N/A	328	N/A
8,395	N/A	8,395	N/A
3,778	N/A	3,778	N/A
15	N/A	15	N/A
1,810	N/A	1,810	N/A
5,373	N/A	5,373	N/A
14	N/A	14	N/A
250	597	250	597
-	(1,825)	-	(1,825)
1 504	71 107	1 504	28.020
1,526 100	71,187 1,796	1,526 100	28,030 1,796
	•		
183	N/A	183	N/A
2,602	N/A	2,602	N/A
- 41	(241) N/A	- 41	(241) N/A
11,529	1,152	41 11,529	1,152
373	1,152 N/A	373	1,152 N/A
143	N/A N/A	143	N/A
100,000	12,410	100,000	21,800
100,000	24,983	100,000	24,983
3,276	N/A	3,276	24,703 N/A
0,270		5,270	

	20	018	20	017
	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
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
	2,005,182		1,381,912	

2017 2018 Rupees in '000

#### **Debt Securities**

#### Listed

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

#### Unlisted

- AAA
- A+, A, A-
- Unrated
Cost

1,897,847	2,232,310
4,447,877	2,072,442
419,073	419,161
9,326,145	12,731,877
16,090,942	17,455,790
5,805,117	6,004,045
495,299	324,782
36,371,414	29,756,789
42,671,831	36,085,616

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

#### Foreign Securities **Government Securities**

USA

Non Government Debt Securities Listed - BBB+, BBB, BBB-

Particulars relating to Held to Maturity securities are as 10.5

Federal Government Securities - Government guarante

Pakistan Investment Bonds

**Debt Securities** 

Listed - AA+, AA, AA-

Unlisted - A+, A, A-

- Unrated

**Foreign Securities** 

#### **Government Securities**

Azerbaijan Bangladesh Kyrgyzstan Kingdom of Saudi Arabia

Non Government Debt Securities

#### Listed - Unrated

194,981 million).

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

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.



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	2018		20	017
	Cost	Rating	Cost	Rating
		Rupe	es in '000	
	968,567	AA+	548,752	AA+
			2018	2017
			Rupee	es in '000
			(	Cost
			1,551,903	1,612,104
ollow	<b>/S:</b>			
d				
			157,346,442	169,476,489
			27,948	27,948
			100,000	100,000
			<u>569,008</u> 669,008	<u>582,765</u> 682,765
			007,000	002,703
	2018			017
	Cost	Rating Rupe	Cost es in '000	Rating
	568,321	BB+	456,013	BB-
	22,116,609	BB-	18,044,077	Ba3
	1,115,602	B2	795,905	B2
~	2,065,534 25,866,066	A+	1,646,220 20,942,215	A+
			2018	2017
				es in '000
			(	Cost
			532	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.

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.

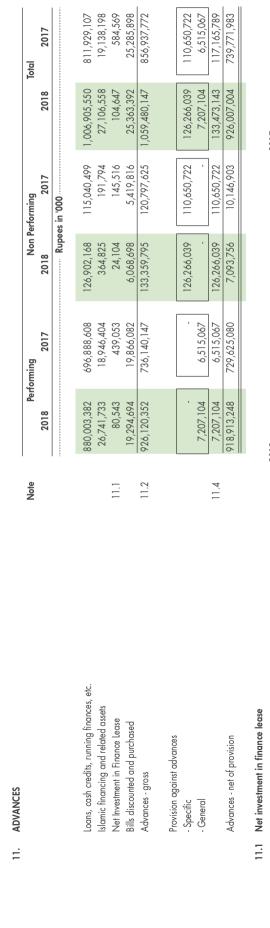
There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

- **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:

		Yee	ar / Period ended	Break-up value
			Rupees in	'000
	National Assets Insurance Limited	Decem	ber 31, 2017	55,682
	Pakistan Emerging Venture Limited	June	e 30, 2018	341
	Mehran Industries Limited	June	e 30, 2001	5,681
	Tharparkar Sugar Mills Limited	Septer	nber 30, 2001	(83,140)
	Prudential Fund Management	June	e 30, 2007	(2,482)
	Dadabhoy Energy Supply Company Limited	June	e 30, 2007	103,952
	Pakistan Mercantile Exchange Limited	June	e 30, 2018	(12,815)
			2018	2017
		Note	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





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		2	2018			2	2017	
	Not later	Later than one			Not later	Later than one		
	than one	and less than	Over five years	Total	than one	and less than	Over five years	Total
	years	five years			years	five years		
				Rupees in '000	000, u			
actea rantrale racraivanta	20 146	07 BAD		54 084	336.007	171 107		507 11 A
	01-1/14			00/100	100'000			
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
							2018	2017
Damieri lam af aduanan (Canad							Rupees	Rupees in '000
ruricolars of aavances (oross)								
In local currency In foreign currencies							969,752,303 89,727,844 1,059,480,147	778,778,045 78,159,727 856,937,772
							A	annual repor

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Rs. (2017: 133.360 S.

e.

Category of Classification				2	2018	2	2017
				Non Performing Loans	Provision	Non Performing Logus	Provision
Domestic					Rupees in '000	in '000	
Other Assets Especially Mentioned Substandard Doubtful Loss				1,272,606 3,783,452 1,398,861 87,723,307	64,543 923,008 689,032 86,518,782	1,272,524 5,623,565 2,442,003 79,712,319	44,589 1,348,968 1,181,602 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 91 to 180 days 181 to 365 days > 365 days				39,181,569	38,070,674	55,531 25,767 31,665,916	13,883 12,884 30,782,579
Total				39,181,569	38,0/0,6/4 126,266,039	31,747,214 120,797,625	30,809,346
11.4 Particulars of provision against advances							
			2018			2017	
	Note	Specific	General	Total Rupees in '000	Specific s in '000	General	Total
Opening balance Exchange adjustments Charge for the year Reversals		110,650,722 7,687,525 14,157,878 (5,956,687)	6,515,067 111,207 1,330,247 (749,416)	117,165,789 7,798,732 15,488,125 (6,706,103)	109,655,106 950,913 2,994,241 (3,994,298)	4,431,206 15,534 2,558,971 (490,644)	114,086,312 966,447 5,553,212 (4,484,942)
Amounts written off	11.5.1	0,201,171 (12,118)	- ^ ^	0,/ 02,/022 (12,118)	(668)	-	(899)
Amounts charged off - agriculture financing Transfer from investments Other transfer	11.4.1.3	(261,281) - -		(261,281) - -	(2,981) 1,004,153 44.487		(2,981) 1,004,153 44,487
Closing balance		126,266,039	7,207,104	133,473,143	110,650,722	6,515,067	117,165,789
11.4.1 Particulars of provision against advances			2018			2017	

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

er 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.

6,065,671 449,396

79,839,776 30,810,946

144,619 328,525

95,1 38,3

6,949,253 257,851

195,365 070,674

local curi foreign c

Specific

otal

Rupees in '000 --

prejudice the Bank's right of recovery from these customers.

11.5	Particulars of write-offs
11.5.1	Against provisions
11.5.2	Write-offs of Rs. 500,000 and above - Domestic - Overseas Write-offs of below Rs. 500,000
11.6	Details of loan write-off of Rs. 500,000/- and abo
	In terms of sub-section (3) of Section 33A of the Bankin loans or any other financial relief of rupees five hundre given in Annexure-I (except where such disclosure is re
12.	FIXED ASSETS
	Capital work-in-progress Property and equipment
12.1	Capital work-in-progress

Civil works Equipment Advances to suppliers and contractors



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11.4.1.1 The Bank maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consum-

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,

Note	2018 Rupee	2017 es in '000
11.5.2	12,118	
11.6	1,835 - 10,283	875 - 24
	12,118	899

#### ove

ing Companies Ordinance, 1962 the Statement in respect of written-off red thousand or above allowed to a person(s) during the year ended is restricted by overseas regulatory authorities).

Note	2018 Rupee	2017 es in '000
12.1	1,934,605	1,823,690
12.2	51,925,278	30,386,389
	53,859,883	32,210,079
	1,863,208	1,757,201
	15,884	19,468
	55,513	47,021
	1,934,605	1,823,690

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2 Property and equipmer

	land	land	on freehold land	on leasehold land	fixture	peripneral equipment	equipment	Venicles	under finance lease - vehicles	Total
					Rupee	Rupees in '000				
At January 1, 2018										
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	-	30,386,389
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	-	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)		(9,700)	(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	-	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 depressiontion (percentane)	ÏZ	1 Z	5% on book value	5% on book value	20%, on cost	33 23% on cost	20% on cost	20% on cost	20% on cost	

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

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

			land	land	fixture	equipment	equipment		lease - vehicles	200
At January 1, 2017					Rupees	Rupees in '000				
Cost / Revalued amount Accumulated depreciation	11,209,437 -	10,3 <i>77</i> ,666	3,017,079 (432,315)	2,825,623 (345,347)	3,775,899 (2,167,781)	3,367,457 (2,914,766)	3,984,702 (2,915,955)	938,545 (274,691)	165,253 (139,373)	39,661,661 (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	-	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	-	30,386,389
Rate of depreciation (percentage)	Zi	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 cast 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 PAr. 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 property and equipment that would have been included in the financial statements had the assets not been carried at revalued amount are as follows:	2018, land and buildin PBA registered valuer) r roperty and equipment	g were revalued ha esulting in surplus o that would have bee	ving original cost of F F Rs.21,587 million. F an included in the fina	ing 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 sco 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. n included in the financial statements had the assets not been carried at revalued amount are as follows:	taving market value of ue assessment, factors assets not been carriec	Rs. 47,684 million as like commercial value, l d at revalued amount ar	at reporting date. The bcation, utilization, na e as follows:	basis of revaluation ature of title etc. wer	ns were full scope val e kept in mind.	ations and wer
- Land freehold - Land leasehold - Building on freehold land - Building on leasehold land	_	Rupees in '000 11,209,212 10,380,661 2,374,944 2,357,106								
The cost of fully depreciated property and equipment that are still in use are as follows:	and equipment that are s	till in use are as fo	lows:							
Furniture and fixture Computer and peripheral equipment Electrical, office equipment	-	Rupees in '000 367,766 21,033 417,566								





# **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	Original Cost	Book	Sale	Gain / Loss	Mode Of Disposal	Particular	s Of Purchaser
and Equipment		Value	Proceed in '000	on disposal			
		Kupees					
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 IFTIKHAR
Vehicles	1,858	1,207	1,207		As per entitlement	Ex-Employee	MEHMOOD SIDDIQUI
Vehicles	1,557	467	467	-		Ex-Employee	SHAHID RAZZAK
				-	As per entitlement		
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	Ex-Employee	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 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
	125	20	20				
Furniture and fixtures					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		SHAHID AHMED
Furniture and fixtures				-		Ex-Employee	
	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. AUAZ 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	-			MANZOOR AHMED
				-	As per entitlement	Ex-Employee	
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	
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	Original Cost	Book	Sale	Gain / Loss	Mode Of Disposal	Particulars	Of Purchaser
and Equipment		Value	Proceed	on disposal			
		Rupee	s 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		_	10	10	As per entitlement	Employee	YOUSF ISMAIL
Computer & peripheral equipments		_	10	10	As per entitlement	Employee	ABDUL RAHIM HAROON
Computer & peripheral equipments		_	10	10	As per entitlement	Ex-Employee	MUHAMMAD EHSAN QADIR
Computer & peripheral equipments		56	56	_	As per entitlement	Ex-Employee	AZMAT MOIZ
Computer & peripheral equipments		55	55		As per entitlement	Ex-Employee	MUHAMMAD RAMZAN BALOCH
Computer & peripheral equipments		45	45		As per entitlement	Ex-Employee	M KHURRAM KHAWAJA
Computer & peripheral equipments		-	-	-	As per entitlement	Ex-Employee	TASLIM HAIDER
Computer & peripheral equipments		136	136		As per entitlement	Ex-Employee	MAHMOOD SIDDIQUI
Computer & peripheral equipments		-	-	-	As per entitlement	Ex-Employee	IMRAN JAFRI
Computer & peripheral equipments		4	4	-	As per entitlement	Ex-Employee	UMAIR JAVED
Computer & peripheral equipments		-			As per entitlement	Ex-Employee	ZAHID MEHMOOD CHAUDRY
Computer & peripheral equipments		16	16	-	As per entitlement	Ex-Employee	ZAHID MEHMOOD CHAUDRY
-	1,905	312	342	30			
-	60,361	29,473	29,503	30			





		Core Banking Application	Computer software	Total
13.	INTANGIBLE ASSETS		Rupees in 000	
	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	33.33 % on	
		cost	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 Additions:	532,444	351,497	883,941
	- 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	33.33 % on	
	Rate of anomounter (percentage)	cost	cost	
	Useful life	3 years	3 years	_
				_

There is no such intangible asset having indefinite useful life.

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

14. DEFERRED TAX

DEFERRED TAX					
		Recognised	Recognised	Transfer upon	
	At January	in profit	in other	amalgamation	At Decembe
	01, 2018	and loss	comprehensive	of NBP	31, 2018
		account	income	Leasing Limited	
			Rupees in '000		
Deductible temporary differences on - Tax losses carried forward	10,705				10,70
		-		-	
- Post retirement employee benefits	13,615,636	(10,764,230)	(83,884)	-	2,767,52
- Provision for diminution in the value	0.070.005				00/75
of investments	3,278,835	(3,042,084)	-	-	236,75
- Provision against loans and advances	622,390	-	-	-	622,39
- Unrealised loss / (gain) on derivatives	439,026	(439,026)	-	-	
- Provision against off-balance sheet					
obligations	116,622	(1,400)	-	-	115,22
- Other provisions	2,186,076	(2,080,660)	-	-	105,41
	20,269,290	(16,327,400)	(83,884)	-	3,858,00
Taxable temporary differences on					
- Surplus on revaluation of fixed assets	(362,625)	85,085	(1,527,766)	-	(1,805,30
- 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	_	(6,667,70)
- Surplus on revaluation of					
non-banking assets	(89,981)	_	34,773	_	(55,20
- Other	-	(2,314,832)	· · ·	_	(2,314,83
	(12,952,457)	(2,234,825)	4,344,234	-	(10,843,04
	7,316,833	(18,562,223)	4,260,350	-	(6,985,04
	At 1	Recognised	Recognised in other	Transfer upon	At December
	At January	in profit		amalgamation of NBP	At Decembe
		and loss	comprehensive		31, 2017
	01, 2017	account		Logging Limited	
	01, 2017	account	income Rupees in '000	Leasing Limited	
		account		Leasing Limited	
		account			
- Tax losses carried forward		-	Rupees in '000	Leasing Limited	
- Tax losses carried forward - Post retirement employee benefits	12,755,946	account (624,083)			
- Tax losses carried forward - Post retirement employee benefits - Provision for diminution in the value	12,755,946	- (624,083)	Rupees in '000	10,705	13,615,63
- Tax losses carried forward - Post retirement employee benefits - Provision for diminution in the value of investments	- 12,755,946 3,613,099	- (624,083) (342,607)	Rupees in '000	8,343	13,615,63 3,278,83
- Tax losses carried forward - Post retirement employee benefits - Provision for diminution in the value of investments - Provision against loan and advances	- 12,755,946 3,613,099 3,310,630	- (624,083) (342,607) (2,674,030)	Rupees in '000	10,705	13,615,63 3,278,83 622,39
- Tax losses carried forward - Post retirement employee benefits - Provision for diminution in the value of investments - Provision against loan and advances - Unrealised loss / (gain) on derivatives	- 12,755,946 3,613,099	- (624,083) (342,607)	Rupees in '000	8,343	13,615,63 3,278,83 622,39
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907	- (624,083) (342,607) (2,674,030)	Rupees in '000	8,343	13,615,63 3,278,83 622,39 439,02
- Provision against loan and advances - Unrealised loss / (gain) on derivatives - Provision against off-balance sheet obligations	- 12,755,946 3,613,099 3,310,630 691,907 116,622	- (624,083) (342,607) (2,674,030) (252,881) -	Rupees in '000	10,705 8,343 (14,210)	13,615,63 3,278,83 622,39 439,02 116,62
- Tax losses carried forward Post retirement employee benefits Provision for diminution in the value of investments Provision against loan and advances Unrealised loss / (gain) on derivatives Provision against off-balance sheet obligations	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371	(624,083) (342,607) (2,674,030) (252,881) - (478,905)	Rupees in '000	10,705 8,343 (14,210) - 1,610	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907 116,622	- (624,083) (342,607) (2,674,030) (252,881) -	Rupees in '000	10,705 8,343 (14,210)	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul> Taxable Temporary Differences on	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371 23,151,575	(624,083) (342,607) (2,674,030) (252,881) (478,905) (4,372,506)	Rupees in '000	10,705 8,343 (14,210) - 1,610 6,448	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07 20,269,29
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul> Taxable Temporary Differences on <ul> <li>Surplus on revaluation of fixed assets</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371	(624,083) (342,607) (2,674,030) (252,881) - (478,905)	Rupees in '000	10,705 8,343 (14,210) - 1,610	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07 20,269,29
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul> Taxable Temporary Differences on <ul> <li>Surplus on revaluation of fixed assets</li> <li>Excess of accounting book value of</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371 23,151,575 (885,452)	(624,083) (342,607) (2,674,030) (252,881) (478,905) (4,372,506) 522,802	Rupees in '000	10,705 8,343 (14,210) - 1,610 6,448	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07 20,269,29 (362,62
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul> Taxable Temporary Differences on <ul> <li>Surplus on revaluation of fixed assets</li> <li>Excess of accounting book value of leased assets over lease liabilities</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371 23,151,575 (885,452) (80)	(624,083) (342,607) (2,674,030) (252,881) (478,905) (4,372,506)	Rupees in '000	10,705 8,343 (14,210) - 1,610 6,448	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07 20,269,29 (362,62 5,07
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul> Taxable Temporary Differences on <ul> <li>Surplus on revaluation of fixed assets</li> <li>Excess of accounting book value of leased assets over lease liabilities</li> <li>Surplus on revaluation of investments</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371 23,151,575 (885,452)	(624,083) (342,607) (2,674,030) (252,881) (478,905) (4,372,506) 522,802	Rupees in '000	10,705 8,343 (14,210) - 1,610 6,448	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07 20,269,29 (362,62, 5,07
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul> Taxable Temporary Differences on <ul> <li>Surplus on revaluation of fixed assets</li> <li>Excess of accounting book value of leased assets over lease liabilities</li> <li>Surplus on revaluation of investments</li> <li>Surplus on revaluation of investments</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371 23,151,575 (885,452) (80) (17,094,125)	(624,083) (342,607) (2,674,030) (252,881) (478,905) (4,372,506) 522,802	Rupees in '000	10,705 8,343 (14,210) - 1,610 6,448	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07 20,269,29 (362,62 5,07 (12,504,92)
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul> Taxable Temporary Differences on <ul> <li>Surplus on revaluation of fixed assets</li> <li>Excess of accounting book value of</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371 23,151,575 (885,452) (80) (17,094,125) (36,273)	(624,083) (342,607) (2,674,030) (252,881) (478,905) (4,372,506) 522,802 5,158 -	Rupees in '000	10,705 8,343 (14,210) - 1,610 6,448 25 - -	13,615,63 3,278,83 622,39 439,02 116,62 2,186,07 20,269,29 (362,62 5,07 (12,504,924 (89,98
<ul> <li>Tax losses carried forward</li> <li>Post retirement employee benefits</li> <li>Provision for diminution in the value of investments</li> <li>Provision against loan and advances</li> <li>Unrealised loss / (gain) on derivatives</li> <li>Provision against off-balance sheet obligations</li> <li>Other provisions</li> </ul> Taxable Temporary Differences on <ul> <li>Surplus on revaluation of fixed assets</li> <li>Excess of accounting book value of leased assets over lease liabilities</li> <li>Surplus on revaluation of investments</li> <li>Surplus on revaluation of investments</li> </ul>	- 12,755,946 3,613,099 3,310,630 691,907 116,622 2,663,371 23,151,575 (885,452) (80) (17,094,125)	(624,083) (342,607) (2,674,030) (252,881) (478,905) (4,372,506) 522,802	Rupees in '000	10,705 8,343 (14,210) - 1,610 6,448	10,70 13,615,63 3,278,83 622,39 439,02 116,62 2,186,07 20,269,29 (362,62: 5,07 (12,504,924 (89,98 (12,952,45) 7,316,83





		2018	2017
		Rupees in '000	
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
		177,108,826	224,071,552
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		168,022,298	216,350,961
	-		

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

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.

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

		2018	2017
		Rupee	s in '000
15.4	Market value of Non-banking assets acquired in satisfaction of claims	3,594,660	3,831,300

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	2017
	Rupees ii	n ' <b>000</b>
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	3,594,660	3,831,300

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

		2018 Rupee	2017 s in '000
15.4.2	Gain / loss on disposal of non-banking assets acquired in satisfaction of claims	Kopee	5 11 000
	Disposal proceeds less		51,259
	- Cost	-	51,259
	- Impairment / Depreciation	-	
	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 Barter trade balances	96,542	96,542
	Receivable on account of Government transactions	195,399 323,172	195,399 323,172
	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		2,281,289
	Goverment transactions Provision against FE-25 loans	1,734,591	2,201,209
	Ex-MBL / NDFC - other assets	534,173	534,173
	Assets acquired from CIRC	228,484	228,484
	Others	<u>1,957,221</u> 8,884,661	1,714,271 8,772,698
		0,004,001	0,772,090
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 Amount written off	(2,174,278) (3,314)	(1,594)
	Closing balance	8,884,661	8,772,698
16.	BILLS PAYABLE		
		0 000 70/	10.004.400
	In Pakistan Outside Pakistan	9,838,706 105,472	12,994,409 200,645
		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 Financing Facility for storage of Agriculture Produce (FFSAP)	- 222,727	4,500 325,649
	Under Long-Term Financing Facility (LTFF)	5,418,613	3,152,418
	5 5 <i>,</i> , , ,	22,905,963	18,593,304
	Repurchase agreement borrowings	278,631,608	320,039,019
	Bai Muajjal Total secured	<u>45,954,085</u> 347,491,656	338,632,323
	Unconversel		
	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	45 0 47 7 40	70,800
	Total unsecured	<u>45,247,740</u> 392,739,396	21,473,351 360,105,674
		072,707,070	

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15.



	2018	2017
	Rupees	s in '000
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
	392,739,396	360,105,674

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

#### DEPOSITS AND OTHER ACCOUNTS 18.

		2018			2017	
	In Local	In Foreign	Total	In Local	In Foreign	Total
	currency	currencies		currency	currencies	
			Rupee	es 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	-	-	-
	1,447,409,688	226,717,763	1,674,127,451	1,297,706,178	152,334,995	1,450,041,173
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
	298,447,080	38,810,670	337,257,750	235,691,351	41,369,495	277,060,846
	1,745,856,768	265,528,433	2,011,385,201	1,533,397,529	193,704,490	1,727,102,019
				2	018	2017

Rupees in '000

#### 18.1 Composition of deposits

	(() 001 000	505 257 422
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
	2,011,385,201	1,727,102,019

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

- 18.3 584,795) million including islamic branches.

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

		2018			2017	
	Minimum	Financial	Principal	Minimum	Financial	Principal
	lease	charges for	outstanding	lease	charges for	outstanding
	payments	future periods		payments	future periods	
			Rupees in '000			
ſ	-	-	-	14,898	389	14,509
d						
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	14,898	389	14,509

Not later than one year Later than one year and upto five years Over five years

		2018			2017	
	Minimum	Financial	Principal	Minimum	Financial	Principal
	lease	charges for	outstanding	lease	charges for	outstanding
	payments	future periods		payments	future periods	
			Rupees in '000			
	-	-	-	14,898	389	14,509
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	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.

#### OTHER LIABILITIES 20.

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

17.1



18.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 104.127 million (2017: Rs. 93.358 million)

This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 774,901 million (2017: Rs.

	2018	2017	
Note	Rupees in '000		
	31,324,102	20,692,112	
es	555,608	321,862	
	635,699	122,851	
	11,629,326	5,885,493	
	339,788	246,577	
	188,868	163,549	
	306,339	306,339	
	5,864,695	-	
	13,069,665	12,985,820	
	15,371,225	14,342,369	
	1,604,689	1,977,230	
	1,730,265	1,467,310	
	7,541,419	6,600,690	
	371,257	371,257	
	18,034,813	14,826,008	
	627,494	627,494	
20.1	3,734,889	3,634,889	
	180,594	824	
	366,896	-	
	45,884,978	135,435,471	
	11,281,227	9,513,486	
	170,643,836	229,521,631	

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				2018	2017
				Rupees in '000	
0.1	Provision against c	ontingencies			
	Opening balance			3,634,889	3,546,841
	Charge during the ye	ear		100,000	380,343
	Reclassification			-	(292,295
	Closing balance			3,734,889	3,634,889
0.1.1	This represents provis	sion made on account	t of regulatory violations and reported in	nstances of financial impr	oprieties for whi <sup>,</sup>
	investigations are in		<b>,</b>		
21.	SHARE CAPITAL				
1.1	Authorized capital				
1.1	2018	2017		2018	2017
1.1	-			2018 Rupees i	
21.1	2018		Ordinary shares of Rs. 10 each		
	2018 Number	of shares	Ordinary shares of Rs. 10 each	Rupees i	n '000
	2018 Number 0 2,500,000,000	of shares	Ordinary shares of Rs. 10 each	Rupees i	n '000
21.1	2018 Number of 2,500,000,000 Issued, subscribed	of shares 2,500,000,000 and paid up 2017	Ordinary shares of Rs. 10 each	Rupees i	n '000 25,000,000 <b>2017</b>
	2018 Number 0 2,500,000,000 Issued, subscribed 2018	of shares 2,500,000,000 and paid up 2017	Ordinary shares of Rs. 10 each Ordinary shares	Rupees i 25,000,000 = 2018	n '000 25,000,000 <b>2017</b>
	2018 Number of 2,500,000,000 Issued, subscribed 2018 Number of	of shares 2,500,000,000 and paid up 2017 of shares	Ordinary shares	Rupees i 25,000,000 2018 Rupees i	n '000 25,000,000 <b>2017</b> n '000
	2018 Number 0 2,500,000,000 Issued, subscribed 2018	of shares 2,500,000,000 and paid up 2017		Rupees i 25,000,000 = 2018	n '000 25,000,000 <b>2017</b>

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	r of shares
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	70,000	70,000
	70,000	70,000

#### 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

23.

23.1

23.2

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.

#### SURPLUS ON REVALUATION OF ASSETS

- Surplus on revaluation of
- Available for sale securities
- Fixed assets - Non-banking assets

#### . . . . .

Deferred tax on surplus on revaluation of: - Available for sale securities

- Fixed assets
- Non-banking assets

#### Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1 Recognised during the year Transferred to unappropriated profit in respect of incre depreciation charged during the year - net of deferre Related deferred tax liability on incremental

depreciation charged during the year Surplus on revaluation of fixed assets as at December

Less: related deferred tax liability on:

- revaluation as at January 1
- revaluation recognised during the year
   incremental depreciation charged during the year

Surplus on revaluation of non-banking assets

#### Surplus on revaluation of non-banking asset Surplus on revaluation as at January 1 Recoanised during the year

Surplus on revaluation as at December 31

Realised on disposal during the year

Less: related deferred tax liability on: - revaluation as at January 1

- revaluation recognised during the year
- surplus realised on disposal during the year



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		2018	2017
	Note	Rupee	es in '000
	10.1	22,943,322	38,475,662
	23.1	44,292,018	22,660,691
		2,062,480	2,264,347
		69,297,820	63,400,700
		(6,667,702)	(12,504,929)
	23.1	(2,588,785)	(1,116,388)
		(55,208)	(89,981)
		(9,311,695)	(13,711,298)
		59,986,125	49,689,402
		22,660,691	22,827,215
		21,789,525	-
remental rred tax		(102,829)	(108,241)
		(102,027)	(100,241)
		(55,369)	(58,283)
r 31		44,292,018	22,660,691
		(1.1.1.(.0.0.0)	
		(1,116,388)	(1,174,671)
		(1,527,766)	-
		55,369	58,283
		(2,588,785) 41,703,233	<u>(1,116,388)</u> 21,544,303
		41,/03,233	Z1,344,303
		2,264,347	1,163,129
		(201,867)	1,143,791
		-	(42,573)
		2,062,480	2,264,347
		(89,981)	(36,273)
		34,773	
		-	(53,708)
	I	(55,208)	(89,981)
		2,007,272	2,174,366



			2018	2017
		Note	Rupee	s 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
			1,410,038,651	967,675,924
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 contrac	ts		
	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 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 securiti	es transactions 2018	2017
	Rupe	es in '000
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 unconsolidated financial statements at contracted rates.

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

24.2.3	Professional services to be received
24.3	Other contingent liabilities
24.3.1	Claim against the Bank not acknowledged as debt
	Claims against the Bank not acknowledged as debts incl 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 yea Azad Kashmir and Gilgit Baltistan branches no amendm been made, hence returns filed are deemed assessments ings for the tax year 2018 under section 122(9) has bee ment.
	a) The tax authorities closed audit proceedings initiated tax year 2016 accepting the Bank's contention.
	b) The other matters under tax contingencies include inte

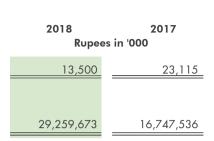
- outcome upon decision of pending appeals.
- on prudent basis.
- 2011.
- Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.
- increased by Rs.20.257 billion and prior year tax reversal of Rs. 2.113 billion.



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uding claims relating to former Mehran Bank Limited amounting to

ar 2018 and amended by the tax authorities up to Tax Year 2017. For nent to returns filed u/s 120 of the Income Tax Ordinance, 2001 has for all the years till the tax year 2018. Notice for amendment proceed en received to Bank and proceedings are underway with the depart

under section 177(1) of the Income Tax Ordinance, 2001 for the

terest 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

c) Through Finance Act, 2015, for tax year 2015 and onwards, income from dividend and income from Capital gainstaxed 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

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,

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

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

### 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.

### Contingencies in respect of employees benefits and related matters 24.3.4

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 gualifying service of employees and where gualifying 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 recalculation 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 For the year ended December 31, 2018

In case this matter is decided unfavorably, the bank estimates based on the actuarial advice that the financial impact arisina 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.

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 refixation 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.



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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

### 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 aranted 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 aranted 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 For the year ended December 31, 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 Faroog 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 aood 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, Sukkar 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.



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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

### 25. MARK-UP / RETURN / INTEREST EARNED

Loans and advances Investments On securities purchased under resale agreements Balances with other banks

### 26. MARK-UP / RETURN / INTEREST EXPENSED

Deposits Borrowings Cost of foreign currency swaps against foreign curren Securities sold under repurchase agreements

### 27. FEE AND COMMISSION INCOME

Branch banking customer fees Consumer finance related fees Card related fees Credit related fees Investment banking fees Commission on trade Commission on guarantees Commission on cash management Commission on remittances including home remittance Commission on bancassurance Commission on government transactions Others

### 28. GAIN / (LOSS) ON SECURITIES

Realised Unrealised - held for trading

### 28.1 Realised gain on

Federal Government Securities Shares Ijarah Sukuks

29. OTHER INCOME

Rent on property Gain on sale of fixed assets - net Compensation for delayed tax refunds Others

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



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	Note	2018 Rupee	2017 es in '000
		69,358,862	54,885,421
		76,287,863	66,453,097
		3,593,293	1,067,700
		728,694	666,382
		149,968,712	123,072,600
		61,704,147	54,875,319
		2,942,429	953,316
ency deposits		6,075,207	3,072,162
		18,580,699	9,918,924
		89,302,482	68,819,721
		1,251,884	1,334,176
		802,721	665,115
		437,670	330,463
		284,106	249,687
		644,931	1,097,725
		4,121,984	2,798,701
		428,051	507,087
		16,431 822,212	18,473
ces		343,621	447,927 127,554
		9,223,016	8,967,151
		149,729	230,415
		18,526,356	16,774,473
	28.1	3,933,377	6,493,427
	10.1	(1,033)	(13,829)
		3,932,344	6,479,598
		513,577	2,877,699
		3,332,560	3,599,967
		87,240	15,761
		3,933,377	6,493,427
		64,664	101,631
		132,829	120,583
	29.1	2,456,174	1,499,875
		33,570	17,435



	Note	2018 Rupees	2017 in '000
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	Γ	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
	L	1,449,945	2,061,638
Other operating expenses			
Directors' fees and reimbursement of other expenses	Γ	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
	L	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 of this cost, Rs 773 million (2017: Rs 741 million) pertains to the payment to companies inc (2017: Rs 12 million) pertains to payment to companies incorporated outside Pakistan. Total given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning a No. 06 of 2017.	corporated in Pakis Cost of outsourced	tan and Rs 11 million activities for the year
	During the year, outsourcing services were hired in respect of sales, call centre services, I collection services, Janitorial & cleaning services and Lift operator and Engineering services.	l support, Data er	ntry, Protocol services,
30.3	Contributions for Corporate & Social Responsibilities inlcude following amounts exceeding Rs.	500,000:	
		2018	2017
		Rupe	es 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	-
		800	-
	10 Motorcycle Rickshaws to Rehabilitate Special Person.	720	-
	Scholarship Program for The Students of Sindh Madressatul Islam University Karachi. NBP Sscholarship Program,3rd Instalment.Sindh Madressatul Islam University Karachi.	720	-
		565	-
	Financial Grant for Speech Processor Hearing Device to Mr. Basheer Ahmed OG-I.	565	- 0.105
	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

None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee. 30.3.1

30.



		Deloitte	Grant	Total	Total
		Yousuf	Thornton	2018	2017
		Adil	Anjum Rahn		
			Rup	ees in '000	
30.4	Auditors' remuneration				
	Audit fee	6,226	6,226	5 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	1 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	1 252,477	193,462
			Note	2018	2017
				Rupees in	
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.	ΤΑΧΑΤΙΟΝ				
	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.

# For the year ended December 31, 2018

### 33.2 Relationship between tax expense and accounting profit Accounting profit before tax

Income tax at statutory rate @ 35% (2017: 35%) Super tax at statutory rate @ 4% (2017: Nil%) Inadmissible items Prior year tax effects Others Tax charge for current and prior years

to these unconsolidated financial statements.

### BASIC EARNINGS PER SHARE 34.

Profit for the year (in 000's)

Weighted average number of ordinary shares (in 000'

Basic earnings per share

### **DILUTED EARNINGS PER SHARE** 35.

Profit for the year (in 000's)

Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares

Diluted earnings per share

### CASH AND CASH EQUIVALENTS 36.

Cash and balances with treasury banks Balances with other banks Call money lendings Call borrowings Overdrawn nostros



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# Notes to the Unconsolidated Financial Statements

2018		2017
Rupees	in	'000

29,683,381	35,599,268
10,389,183	12,459,744
1,187,335	-
95,181	105,942
(2,112,896)	271,678
109,456	(266,083)
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)

	2018 Rupees	2017 s
	20,015,122	23,027,987
's)	2,127,513	2,127,513
	9.41	10.82
	20,015,122	23,027,987
d		
s) (in 000's)	2,127,513	2,127,513
	9.41	10.82
	2018	2017
	Rupees i	n '000
	247,518,270	160,089,619
	12,202,020	26,403,906
	8,240,800	1,540,800
	(36,400,855)	
	(3,807,347)	(6,901,943)
	227,752,888	166,631,774

37.	STAFF STRENGTH	2018	2017
		Nur	nbers
	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:

	Nur	nbers
Pension fund	11,547	11,620
Gratuity fund	3,859	3,566
Benevolent Fund	11,547	11,620

2017

2018

### 38.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
	Pero	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

Municing         Remaining         Remaining <th< th=""><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th></th<>													
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$		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 Fair value of olan assets	61,084,925 [48.015.260]	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523 (48.015.260)	57,951,864 [44,966,044]	14,342,369 -	1,977,230	1,467,310 -	,600,690	82,339,463 [44.966.044]
		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
Instrume         3000000000000000000000000000000000000	Obligations at the beginning of the year Current service cost	57,951,864 1 298 574	14,342,369 A01 A7A	1,977,230	1,467,310 251 131	6,600,690 1 187 520	82,339,463 3 205 013	54,855,012 1 230 818	13,377,650	1,977,230 61 464	1,298,782 203 122	6,262,603 630,666	77,771,277
	Current service cost Interest cost	5,360,600	401,474 1,321,656	178,311	137,009		6,997,576	5,020,105	447, ,204 1,235,665	176,099	121,318		6,553,187
Removement in Kin V (pin) $W7/131$ $166/134$ $174/513$ $166/134$ $174/513$ $166/134$ $174/513$ $166/234$ $173/236$ $9.347$ Removement in Kin value of planeauti $116/136$ $173/123$ $166/136$ $173/235$ $160/148$ $173/236$ $9.347$ Removement in Kin value of planeauti $11/136$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15$ $11/136/15/16$ $11/136/15$	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) Obligations at the end of the year	(477,132) 61,084,925	166,124 15,371,225	(416,618) 1,604,689	(74,975) 1,730,265	7,541,419	(802,601) 87,332,523	860 ,540 57,951,864	23,082 14,342,369	9,547 1,977,230	(112,409) 1,467,310	- 6,600,690	780,760 82,339,463
	Fair value at the beainning 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
Beels pold         (0.04.581)         · · · · · · · · · · · · · · · · · · ·	Contribution by the Bank - net	1,044,583					1,044,583	1,100,000					1,100,000
Beelit pol on baholi of fund         1,439,981         .         .         1,439,981         . <td>Benefits paid</td> <td>(3,048,981)</td> <td></td> <td></td> <td></td> <td></td> <td>(3,048,981)</td> <td>(4,023,611)</td> <td></td> <td></td> <td></td> <td></td> <td>(4,023,611)</td>	Benefits paid	(3,048,981)					(3,048,981)	(4,023,611)					(4,023,611)
Remeasurements: Net return on plan asset over interest income goin / (loss)         552,932         522,932         543,553         · · · · · · · · · · · · · · · · · · ·	Benefits paid on behalf of fund	1,439,981					1,439,981	2,213,011					2,213,011
Torreturn the model of the year         Concrete interaction of the year         Concrete interaction of the year         Concret interaction of the year         Concre interaction of the year         Concre inter	Re-measurements: Net return on plan assets						1660 0201	12 450 5031					12 150 5031
Charge for defined benefit plans         Contract set of indicational loss         1         Cost recognised in profit and loss         1         Cost recognised in profit and loss         1         2         2         2         3         3         3         3         3         3         3         3         3         3         3         3         447         364         61         464         477         64         61         447         566         60         60         60         60         60         60         60         60         60         60         60         60         60         60         60         60         60         60	Fair value at the end of the year	48,015,260					48,015,260	44,966,044					44,966,044
1 Cost recognised in profit and loss       1 / 298,574       401,474       66,305       251,131       1,187,529       3205,013       447,264       61,464         Current service cost       1,298,574       401,474       66,305       251,131       1,187,529       3205,013       84,005       1,235,665       176,099         Remeasurements recognised in       2,482,609       1,723,130       244,616       388,140       1,187,529       6,026,024       1,235,665       176,099         2,482,609       1,723,130       244,616       388,140       1,187,529       6,026,024       2,123,872       1,682,929       237,563         2 Remeasurements recognised in       OCI during the year       2,123,872       1,682,929       237,563       237,563       237,563         Lass / Igani on obligation       -													
II         1,298,574         401,474         66,305         251,131         1,187,529         3,205,013         84,054         61,464         61,464           1,184,035         1,321,656         178,311         137,009         2,282,0101         884,054         1,235,665         176,099           2,482,609         1,723,130         2,44,616         388,140         1,187,529         6,026,024         2,123,872         1,682,929         237,563           2,482,609         1,723,130         2,44,616         388,140         1,187,529         6,026,024         2,123,872         1,682,929         237,563           2,482,609         1,723,130         2,44,616         388,140         1,187,529         6,026,024         2,123,872         1,682,929         237,563           2,123,872         1,723,130         2,44,616         388,140         1,187,529         6,026,024         2,123,872         1,682,929         237,563           2,123,687         1,723,872         1,682,929         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563         237,563													
1,298,574         401,474         66,305         251,131         1,187,529         3,205,013         1,239,818         447,264         61,464           1,184,035         1,321,656         178,311         137,009         .         2,821,011         884,054         1,235,665         176,099           2,482,609         1,723,130         244,616         388,140         1,187,529         6,026,024         2,123,872         1,682,729         237,563           2,482,609         1,723,130         244,616         388,140         1,187,529         6,026,024         2,123,872         1,682,729         237,563           2,482,609         1,723,130         244,616         388,140         1,187,529         6,026,024         2,123,872         1,682,729         237,563           2,881,061         1,723,130         244,616         388,140         1,187,529         6,026,024         2,123,872         1,682,729         237,563           2         2         2         2         2,123,872         1,682,729         237,563         237,563           2         2         2         2         2         2         2         2         2         2         2         2         2         2         2         2	38.7.1 Cost recognised in profit and loss												
icibiliy 1,184,035 1,321,656 178,311 137,009 . 2,821,011 884,054 1,235,655 176,099 2,482,609 1,723,130 2,44,616 388,140 1,187,529 6,026,024 2,123,872 1,682,929 237,563 237,563 2,482,612 1,682,629 237,563 2,123,812 1,682,929 237,563 2,123,812 1,682,929 237,563 2,124,816,618 1,124,816 1	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
Come 11.1.1.1 11.1.1.1.1.1.1.1.1.1.1.1.1.1.	Net interest on defined benefit asset / liability	1,184,035 2,482,609	1,321,656 1,723,130	178,311 244,616	137,009 388,140	- 1,187,529	2,821,011 6,026,024	884,054 2,123,872	1,235,665 1,682,929	176,099 237,563	121,318 324,440	- 630,666	2,417,136 4,999,470
.     . <td><b>38.7.2 Re-measurements recognised in</b> OCI during the year</td> <td></td>	<b>38.7.2 Re-measurements recognised in</b> OCI during the year												
100     166,124     [416,618]     [74,975]     1000     [239,669]     4,319,133     23,082     9,547       100     100     1000     1000     1000     1000     1000     1000	Loss / (gain) on obligation												
85,800 166,124 (416,618) (74,975) . (239,669) 4,319,133 23,082 9,547	<ul> <li>Demographic assumptions</li> <li>Financial assumptions</li> </ul>												
	- Experience adjustment	85,800	166,124	(416,618)	(74,975)		(239,669)	4,319,133	23,082	9,547	(112,409)		4,239,353
85,800 106,124 [416,618] [4,4/2] - [239,669] 4,319,153 23,062 9,24/	return on plan assers over meresr income Total re-measurements recognised in OCI	85,800	166,124	[4] 6,6] 8]	[74,975]		(239,669)	4,319,133	23,082	9,547	(112,409)		4,239,353





	2018	2017
Components of plan assets	Rupe	ees in '000
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
	48,015,260	44,966,044

### 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 helow.

	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total
			Rupees in	n ' <b>000</b>		
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	57 70 4 070	14457 504				70 001 (0)
of pension increase	57,734,070	14,657,534	-	-	-	72,391,604
1% increase in expected rate of medical benefit increase		14 204 424				16,306,424
1% decrease in expected rate	-	16,306,424	-	-	-	10,300,424
of medical benefit increase		14,583,650				14,583,650
or medicar benefit filcrease	-	14,565,050	-	-		14,303,030
Expected contributions to be p	aid to the fund	ls in the next finan	ial vear			1,288,715

### 38.11 Expected charge for the next financial year

### 38.12 Maturity profile

38.10

The weighted average duration of the obligation

### Years

11.00
8.36
6.13
6.91
8.38

### 38.13 Funding Policy

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

### Current Assets

	Rupees in '000	Percentage
quivalents - net	459	0.90
iment Securities	24,476	50.97
	6,371	13.27
nent Debt Securities	11,287	23.57
al 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

# 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 e the obligation period of the curr cash.
Changes in bon	d yields	The risk arises when the actual re
Inflation risk		The most common type of retirer arises when the actual increases
Life expectancy rate	/ Withdrawal	The risk arises when the actual li level over the entire retiree popul impose a risk to the benefit oblig
Investment Risk		The risk arises when the actual shortfall in the funding objectives

### DEFINED CONTRIBUTION PLAN 39.

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.

### COMPENSATION OF DIRECTORS AND EXECUTIVES 40

	Pres	ident	Dir	ectors		Executives
	2018	2017	2018	2017	2018	2017
			······ Rupee	s 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
			Nu	mber		
Number of persons	2	3	6	6	2,520	2,325

7.403.818



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 vear.

Performance bonus is accounted for on payment basis.

### FAIR VALUE MEASUREMENTS 41.

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.

38.8



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earnings are lower than expectation. This risk is measured at a plan level over rrent population. The company assets are either invested in fixed securities or

return on plan assets is lower than expectation.

ement benefit is one where the benefit is linked with last drawn salary. The risk s are higher than expectation and impacts the liability accordingly.

lifetime of retirees is longer than expectation. This risk is measured at the plan lation. The risk of actual withdrawals varying with the actuarial assumptions can igation. The movement of the liability can go either way.

performance of the investments is lower than expectation and thus creating a

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:

		2018		
Carrying Value	Level 1	Level 2	Level 3	Total
		Rupees in '000		

### On balance sheet financial instruments

### Financial assets - measured at fair value

Investments					
Market Treasury Bills	741,979,834		741,979,834	-	741,979,834
Pakistan Investment Bonds	197,596,895	-	197,596,895	-	197,596,895
ljarah 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	100,071,007				
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

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

			2017		
	Carrying Value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments			Rupees in '000 ····		
Financial assets - measured at fair value					
nvestments					
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	1,027,717		1,027,717		1,027,717
Pakistan	11,307,008	11,307,008		-	11,307,008
i akisian	1,096,246,808	59,174,649	1,036,002,306	1,069,853	1,096,246,808
measured at fair value					
Cash and balances with treasury banks	160,089,619	-	-	-	
alances with other banks	26,403,906	-	-	-	
ending to financial instruments	26,916,113	-	-	-	
nvestments	-	-	-	-	
Pakistan Investment Bonds	169,476,489	-	-	-	
GoP Foreign Currency Bonds	2,309,720	-	-	-	
Foreign Government Securities	20,942,215	-	-	-	
Foreign Currency Debt Securities Debentures, Bonds, Sukuks, Participation Term	424	-	-	-	
Certificates and Term Finance Certificates	285,879	-	-	-	
Advances	739,771,983	-		-	
Advances	216,350,961	-	-	-	
	1,362,547,309	-			
	1,302,347,309				
	2,458,794,117	59,174,649	1,036,002,306	1,069,853	1,096,246,808
Other assets Off-balance sheet financial		59,174,649	1,036,002,306	1,069,853	1,096,246,808
Other assets Off-balance sheet financial instruments - measured at fair value		59,174,649	1,036,002,306	1,069,853	1,096,246,808
Other assets Off-balance sheet financial		59,174,649	1,036,002,306	1,069,853	1,096,246,808





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# Notes to the Unconsolidated 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) Non-banking assets acquired in satisfaction	47,995,831		47,995,831	-	47,995,831
of claims	3,796,527	-	3,796,527	-	3,796,527
	51,792,358	-	51,792,358	-	51,792,358
			2017		
	Carrying Value	Level 1	Level 2	Level 3	Total
			··· Rupees in '000 ···		
Land & building (property and equipment) Non-banking assets acquired in satisfaction	26,526,197	-	26,526,197	-	26,526,197
of claims	2,779,193	-	2,779,193	-	2,779,193
	29,305,390	-	29,305,390	-	29,305,390

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

	Commercial & Retail Banking	Corporate Banking	Treasury	International Banking	Aitemaad & Islamic Banking	Head Office / Others	Total
Profit and loss account					Rupees in '000		
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	55,931,412
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

SEGMENT INFORMATION

Details with

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42. 42.1



810,644,753	100,394		27,725,864		203,590,159	579,228,336
4,199,053,285	280,087,353	58,956,787	161,677,795	1,332,723,579	552,960,699	1,812,647,074
206,868,535	200,996,233	708,789	(758,151)	5,921,665		
3,992,184,750	79,091,120	58,247,998	162,435,946	1,326,801,914	552,960,699	1,812,647,074
187,573,056	79,091,120	1,146,690	1,650,467	24,212,749	45,304,947	36,167,083
1,400,487,097		6,079,071	20,257,431	969,156,574	404,994,021	
2,011,385,201		51,022,237	104,127,206		80,797,441	1,775,438,318
392,739,396			36,400,842	333,432,591	21,864,290	1,041,673
4,199,053,285	280,087,353	58,956,787	161,677,795	1,332,723,579	552,960,699	1,812,647,074
222,127,840	127,376,060	2,142,202	3,904,176	9,761,367	50,731,814	28,212,221
926,007,004	8,695,981	26,827,183	47,083,710	17,990	502,039,092	341,343,046
(133,473,143)	(54,568,120)	(278,995)	(38,328,525)		(20,141,547)	(20,155,956)
133,359,795	51,826,711	364,825	39,181,569		22,069,620	19,917,069
926,120,352	11,437,390	26,741,353	46,230,666	17,990	500,111,019	341,581,933
106,391,667	2,650	1,417,699		104,971,318		
1,400,487,098	79,158,614					1,321,328,484
1,284,319,388	64,853,958	23,914,372	55,950,776	1,139,600,282		
259,720,290	89	4,655,330	54,739,132	78,372,622	189,794	121,763,323

Statement of financial position Cash and bank balances Investments Net inter segment lending Lendings to financial institutions Advances - performing Provision against Advances Advances - Net Others Advances - Net Others Provision against Advances Borrowings Borrowings	Net inter segment borrowing Others Total liabilities Equity Total equity and liabilities
--	--

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	Commercial & Retail Banking	Corporate Banking	Treasury	International Banking	Aitemaad & Islamic Banking	Head Office / Others	Total
Profit and loss account				··· Rupees in '000 ····			
						1 051 404	
Net mark-up / return / protit	(21, 700, 373)	1/,724,212	CY2,YCC,Y4	2,430,994	1,441,277	4/40 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2	6/8/202,80
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	12,416,981	1,393,465	291,633	2,457,872	31,065,870
Total income	48,039,863	6,212,430	19,741,233	3,830,459	1,445,237	6,049,526	85,318,749
Segment direct expenses	26,098,606	249,817	270,122	3,366,455	1,673,000	831,972	32,489,972
Inter segment expense allocation						16,037,564	16,037,564
Total expenses	26,098,606	249,817	270,122	3,366,455	1,673,000	16,869,536	48,527,537
Provisions charge / (reversal)	337,043	(372,676)	810,790	228,421		188,366	1,191,944
Profit / (Loss) before tax	21,604,214	6,335,289	18,660,321	235,583	(227,763)	(11,008,376)	35,599,268
Cash and bank balances	103,558,867	164,676	39,395,919	37,542,919	5,829,332	1,812	186,493,525
Cash and bank balances	103,558,86/	164,6/6	39,395,919	37,542,919	5,829,332	1,812	86,493,525
Investments			1,176,079,110	42,592,446	17,854,897	59, 193,096	1,295,719,550
Net inter segment lending	1,110,546,153					93,124,076	1,203,670,229
Lendings to financial institutions			26,914,763			1,350	26,916,113
Advances - performing	273,976,143	396,257,482	551,489	43,425,128	18,946,404	2,983,499	736,140,147
Advances - non-performing	23,572,722	14,387,210		31,749,423	191,794	50,896,476	120,797,625
Provision against Advances	(21,666,832)	(11,049,034)		(31,260,949)	(191,794)	(52,997,180)	(117,165,789)
Advances - net	275,882,033	399,595,658	551,489	43,913,602	18,946,404	882,795	739,771,983
Others	67,780,786	132,845,192	957,227	2,894,215	1,176,005	50,766,373	256,419,798
Total assets	1,557,767,839	532,605,527	1,243,898,507	126,943,181	43,806,637	203,969,504	3,708,991,195
Borrowings	801,671	17,791,634	337,760,707	3,751,662			360,105,674
Deposits and other accounts	1,519,742,747	76,376,473		93,357,792	36,908,343	716,665	1,727,102,019
Net inter segment borrowing		306,777,774	862,380,188	27,956,592	6,555,672		1,203,670,226
Others	37,223,421	131,659,646	16,609,598	1,461,273	250,696	55,526,560	242,731,194
Total liabilities	1,557,767,839	532,605,527	1,216,750,493	126,527,319	43,714,711	56,243,225	3,533,609,113
Equity			27,148,014	415,862	91,926	147,726,279	175,382,081
Total equity and liabilities	1,557,767,839	532,605,527	1,243,898,507	126,943,181	43,806,637	203,969,504	3,708,991,195
Contingencies and commitments	314 225 047	100 552 603		28.522.471		149 473	533 449 593

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

				2018	8		
			Asia Pacific		United States		
		Pakistan	(including South Asia)	Europe	of America	Middle East	Total
			Rupees in '000	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
0)	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
<u>ц</u>	Provisions	12,030,923	(729,345)	(181)	(127,712)	126,688	11,300,373
Ľ	Profit / (loss) before tax	28,200,414	449,711	(342,600)	135,518	1,240,339	29,683,381
	· · · · · · · · · · · · · · · · · · ·						
~ *	Statement of financial position						



259,720,290 1,284,319,388 24,233,246 106,391,667	926,120,352 133,359,795 (133,473,143)	926,007,004 222,127,839 2,822,799,434	392,739,396	2,011,385,201 24,233,246 187,573,056	2,615,930,899 206,868,535	2,822,799,434 810,644,753
2,165,997 19,503,372 3,975,816 -	31,434,126 4,808,641 (3,818,940)	32,423,828 861,326 58,930,339	32,797,674	26,033,097 - 580,475	59,411,247 (480,908)	58,930,339 18,106,040
25,721,371 8,201,033 -	5,373,523 1,776,756 (1,781,391)	5,368,888 588,903 39,880,195		28,434,398 11,481,515 215,603	40,131,516 (251,321)	39,880,195 1,785,079
7,576,196 - -	559,157 1,069,071 (1,074,372)	553,856 112,792 8,242,845		5,529,140 2,551,012 162,693	8,242,845 -	8,242,845 2,338,069
19,275,569 28,246,370 -	8,863,859 31,527,101 (31,653,822)	8,737,138 2,341,154 58,600,231	3,603,168	44,130,571 10,200,719 691,695	58,626,153 (25,922)	58,600,231 5,496,677
204,981,158 1,228,368,613 20,257,430 106,391,667	879,889,686 94,178,226 (95,144,619)	878,923,293 218,223,663 2,657,145,824	356,338,554	1,907,257,995 - 185,922,589	2,449,519,138 207,626,686	2,657,145,824 782,918,889

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	Pakistan	(including South Asia)	Europe	of America	Middle East	Total
Profit and loss account			Rupees	Rupees in '000		
Net mark-up / return / profit Non-mark-up / return / interset income	51,815,885	671,278 530 773	20,491 107 827	509,596 280 640	1,235,628 366.246	54,252,879 31 065 870
rou markey / recom / mileresi madine Total Income	81,488,290	1,211,021	218,318	799,245	1,601,874	85,318,749
Segment direct expenses Inter segment expense allocation	29,123,517 16,037,564	1,176,746 -	609,732 -	1,084,076	495,901 -	32,489,973 16,037,564
Total expenses Provisions	45,161,081 963,521	1,176,746 [72-113]	609,732 146,692)	1,084,076 401 290	495,901 154 0611	48,527,537
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
nvestments	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
Lenaings to minancial insitutions Advances - performina	20,715,017 692,715,017	- 0 761 184	1 713 225	5 401 020	76 758 790	736 140 147
Advances - non-performing	89.048.202	25,509,197	890.956	1.518.568	3.830.701	1 20.797.625
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						

committee has assia stered by a high powered The State Bank of Pakistar

ld on August 7, 2001 each, MCB 17.5% an

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

<ol> <li>RELATED PARTY TRANSACTIONS</li> </ol>	TIONS																		
The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel.	rty transactio	ins with its po	arent, subsid	iaries, assoc	ciates, join.	t ventures, e	smployee be	inefit plans a	ind its direct	ors and Key	y Management	<sup>9</sup> ersonnel.							
The Banks enters into transactions with related paties 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 benefits 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 actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.	nsacitons wit ıre made in c	th related pa accordance	ities in the or with the actu	dinary cours arial valuati	se of busin ions / term	ess and on s of the cor	substantially itribution pla	the same te in. Remunerc	irms as for co ation to the e	omparable :xecutives /	transactions wit ' officers is dete	h person of similar mined in accordan	standing. Cor ce with the te	ntributions t rms of their	o and accr appointme	uals in respe	ect of staff re	stirement ber	hefits
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:	ith related pa	arties during	the year, oth	ier than thos	ie which hc	ave been di	isclosed elsev	where in the	se unconsoli	dated finan	icial statements	are as follows:							
				2018										2017					
		Key			Joint	Pension	Pension	Pension	Provident	Other	×	Key		Joint	Pension	Pension	Pension P	Provident	Other
	Directors	managemen	Directors management Subsidiaries Associates	Associates	venture	Fund	Fund (Fixed	Fund	Fund	related	Directors mana	Directors management Subsidiaries Associates		venture	Fund	Fund (Fixed Fund	Fund	Fund	related
		personnel				(Current)	Deposit)	(N.I.D.A A/c)		parties	bers	personnel			(Current)	Deposit) (N.I.D.A A/c)	N.I.D.A A/c)		parties
										Rupees in		Rupees in '000							
Balances with other banks																			
In current accounts	•				16,836									11,927					
In deposit accounts					8,780		·							663,943					
					25,616									675,870					·
Investments																			



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Directors mo					·			15,614	28,447	(33,087) (242)	10,732	•	·		
Key inagemen	personnel							62,047	485,525	(454,455) [12.429]				appointme	
Key management Subsidiaries Associates		197.027	275,285 1					885,251	267,651	(32,742)	1,120,160	5,874			
Associates		1.704.892	1,704,892											rs and cha	
Joint Pr venture	y			87,920		(49,672)	38,248							inges in ke	
Pension Pe Fund Fun	(Current) D							1,248 10	4,300,229 28	(4,300,392) (28	1,085 11			γ manager	
Pension F Fund (Fixed	_							10,300,000	28,800,000 16	(28,000,000) (16,	11,100,000			nent executives	
Pension Pro Fund I	(N.I.D.A A/c)							514,539 12,7	16,639,785 14,2	(16,695,996) (14,5 -	458,328 12,4			ives.	
Provident O Fund rel	d							12,749,309	14,268,653	(14,552,023) -	12,465,939				
Other related Dir							•		•			•			
Key Directors management	persc						. 	4,655	37,321 4	(27, 127) (40 765					
key agement Subsic	personnel		. 2.		·			28,838 1,27	430,392	(408,116) (40 10.933					
Subsidiaries Associates		194,971 2,08	273, 104 2,08		•			,278,332	7,395	(400,476)	885,251	5,292	7,968	13,260	
Joint ciates venture		2,082,323	2,082,323	. 40,	. 38,		. 87,								
it Pension ure Fund	(Current)			49,649	38,271		87,920		. 3,781,571	- (3,781,686) -					
on Pension d Fund (Fixed							   .	1,363 8,800,000	1,571 10,300,000	,686) (8,800,000) -	1,248 10,300,000				
n Pension xed Fund	it) (N.I.D.A A/c)						   .	,000 1,035,959	,000 2,744,580	000) (3,266,000)	,000 514,539				
Fund	/c)							59 13,137,045	80 1,808,033	20] (2,195,769) 	39 12,749,309				
Other related	parties				•	•									

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

			2018	8						2017				
	Key manage- Subsidiaries	Subsidiaries	Associates	Associates Joint venture	Pension	Provident	Funds /	Key manage-	Subsidiaries Associates	Associates	Joint venture	Pension	Provident	Funds /
	ment personnel				Fund	Fund	Others	ment personnel				Fund	Fund	Others
							Rupees i	Rupees in '000						
Income														
Mark-up / return / interest earned		20,480		153,652					21,265		57	·		
Debts due by Companies in which Directors of the							707 21							010
bank is interested as Unrectors							11 ,440							644
ree and commission income									21,240					
Dividend income		109,125					·		109,125	46,109	134,870			
Expense														
-														
Mark-up / return / interest paid	•	18,025		937	767,837	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						



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21,246 3 including charge for defined be ommission paid to subsidiaries હે with The Federal Gow of the Bank.

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360.571 2018. (2017: Rs. : 12 lhe Bank also e

### 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 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 3.42% 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 For the year ended December 31, 2018

### Minimum Capital Requirement

Paid-up capital

### **Capital Adequacy Ratio**

Eligible Common Equity Tier 1 Capital Eligible Additional Tier 1 Capital Total Eligible Tier 1 Capital Eligible Tier 2 Capita Total Eligible Capital (Tier 1 + Tier 2)

Risk Weighted Assets Credit Risk Market Risk Operational Risk Total

Common Equity Tier 1 Capital Adequacy ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

### Leverage Ratio

Tier-1 Capital Total Exposures Leverage Ratio

### Liquidity Coverage Ratio

Total High Quality Liquid Assets Total Net Cash Outflow Liquidity Coverage Ratio

### Net Stable Funding Ratio

Total Available Stable Funding Total Required Stable Funding Net Stable Funding Ratio

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.



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2017

Rupees in '000

2018

144 000 410	105 (00 (70
146,882,410	125,692,679
124,818,200	101,302,638
-	-
124,818,200	101,302,638
43,840,140	37,582,303
168,658,340	138,884,941
100,000,040	100,004,741
705 507 105	
795,527,135	657,436,715
81,071,227	68,862,912
155,078,622	144,667,848
1,031,676,984	870,967,475
12.10%	11.63%
12.10%	11.63%
12.1076	11.00%
16.35%	15.95%
10.33%	13.73/0
124,818,200	101,302,638
3,645,020,976	2,961,276,769
3.42%	3.42%
949,424,482	984,828,182
560,346,109	580,370,735
169%	170%
107/0	170%
1,745,679,890	1,531,580,508
544,123,198	419,276,880
321%	365%

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 For the year ended December 31, 2018

### 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 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.

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	endings	Non-perfor	ming lendings	Provision	n held
	2018	2017	2018	2017	2018	2017
			Rupee	es 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



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# 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-perfo	rming investments	Prov	ision held
	2018	2017	2018	2017	2018	2017
			Rup	oees 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		002,720	001,700	002,720
Financial	7,089,844	3,676,537	90,888	389,104	82,121	380,337
Electronics and	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	0,0,0,00,	, 0,000	007,104	02,121	000,007
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
Miscelleneous	665,814	525,554	25,992	525,554	25,995	525,554
Leather & Tenneries	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-perfo	rming investments	Pro	vision held
	2018	2017	2018	2017	2018	2017
			Rup	oees 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

	Gros	s advances	Non-perf	orming advances	Prov	ision held
	2018	2017	2018	2017	2018	201
			Rup	ees in '000		
Agriculture, Forestry,						
Hunting & Fishing	49,662,810	49,960,319	4,402,110	5,435,319	3,177,683	3,465,71
Mining & Quarrying	22,745	22,783	17,801	11,060	17,801	11,06
Textile	110,488,207	93,142,074	38,864,324	31,907,831	38,568,647	30,304,64
Chemical & Pharmaceuticals	6,412,431	6,755,774	3,063,802	1,956,208	3,003,942	1,953,58
Cement	26,257,014	12,298,051	1,979,734	2,525,616	1,979,734	2,525,61
Sugar	38,254,733	34,843,081	12,534,711	3,524,592	12,154,881	3,310,59
Footwear and Leather						
garments	2,360,408	1,994,575	807,322	732,627	807,322	622,14
Automobile &						
Transportation Equipment Electronics & Electrical	7,054,570	3,534,328	945,441	938,824	944,517	935,99
Appliances	6,409,085	5,795,837	2,285,963	2,627,475	2,229,713	2,526,22
Construction	12,368,450	10,846,571	5,118,701	4,569,473	5,079,926	4,560,25
Power (electricity), Gas,				.,,	-,	.,,
Water, Sanitary	276,911,048	195,999,302	3,773,655	3,916,994	3,773,655	3,916,99
Wholesale and Retail Trade	43,444,267	28,496,975	4,159,078	8,768,041	4,119,598	8,737,67
Exports / Imports	763,528	362,366	383,341		375,841	0,, 0, ,0,
Transport, Storage and	, 00,020	002,000	000,041		070,041	
Communication	59,956,872	58,637,817	9,392,976	7,740,634	8,111,406	6,713,59
Financial	27,574,614	18,401,358	452,815	308,670	290,018	141,62
Services	12,926,433	13,964,021	2,403,166	6,059,173	2,403,166	4,263,66
ndividuals	148,892,155	136,822,734	7,009,864	7,438,357	4,872,420	5,339,09
Fertilizer	19,677,499	19,149,874	2,899,669	3,150,330	2,899,008	3,149,43
Metal Products	64,875,984	59,797,961	19,090,063	15,626,261	17,967,424	15,626,26
Telecommunication	13,209,014					
	13,209,014	11,112,418	1,074,241	449,032	1,074,241	449,03
Public Sector Commodity	(7,000,0/0	50 414 545	70 705	70 705	70 705	70.70
Operations	67,222,362	53,414,545	73,785	73,785	73,785	73,78
Rice processing & Trading Food and Tobacco	28,657,001	19,872,642	4,574,543	4,701,462	4,545,340	4,647,73
	8,115,938	5,402,675	2,700,660	2,667,036	2,663,201	2,664,42
Glass and Ceramics	2,328,244	1,820,220	422,595	565,724	422,595	565,57
Paper & Board	1,709,687	1,466,504	700,655	419,382	588,257	419,38
Engineering	13,499,460	3,194,084	1,373,475	1,614,557	1,340,601	1,614,55
Plastic Products	2,156,121	2,259,733	945,564	183,943	923,077	166,15
Media	2,324,999	1,559,883	151,457	151,457	151,457	151,45
Flour Mills	2,959,383	2,593,108	543,893	554,963	493,115	554,96
Sports Goods	505,417	459,231	94,222	98,922	94,222	95,39
Others	2,479,668	2,956,928	1,120,170	2,079,877	1,119,449	1,144,08
-	1,059,480,147	856,937,772	133,359,795	120,797,625	126,266,039	110,650,72
Credit risk by public /						
private sector						
Public / Government	353,000,659	279,763,540	2,526,128	3,082,946	2,526,128	3,082,94
Private	706,479,488	577,174,232	130,833,667	117,714,679	123,739,911	107,567,77
	1,059,480,147	856,937,772	133,359,795	120,797,625	126,266,039	110,650,72





46.2.1

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

		2018	2017
		Rupee	es in '000
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
		810,644,753	533,449,593

\* 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
	Rupee	es in '000
Public / Government	669,902,699	360,571,294
Private	140,742,054	172,878,299
	810,644,753	533,449,593

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

		2018 Rs in '000	2017 300
Funded Non Funded Total Exposure		252,217,265 580,082,098 832,299,363	212,256,057 287,334,226 499,590,283
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	Amount Provision held Amount Provision held Revision held	Amount s in '000	Provision held
OAEM			

are as

(2017: Rs. 499,590 milli

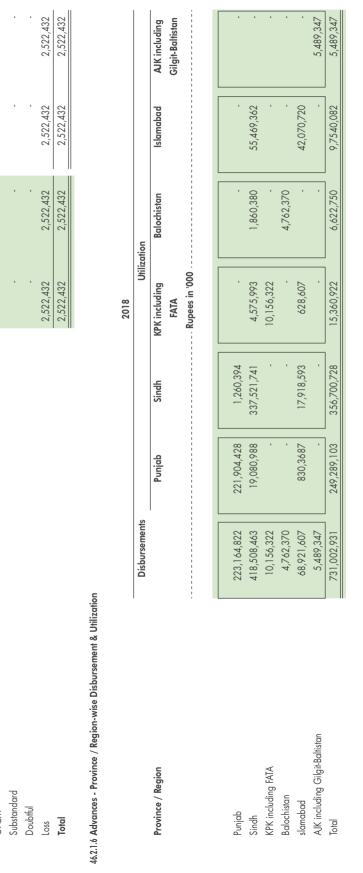
ts. 832,299

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46.2.1.5 Concentration of Advar

The bank top 10 exp





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			2017			
Disbursements			Utiliz	Utilization		
	Punjab	Sindh	KPK including FATA Rupees in '000	Balochistan	Islamabad	AJK including Gilgit-Baltistan
250,166,947	245,614,187	4,352,760	200,000			
340,188,371	6,682,731	311,928,198	2,754,263	17,967,346		855,833
8,016,053	•		8,016,053			
7,597,115				7,597,115		
41,239,979	1,149,044		2,055,719	•	38,035,216	
4,087,832				•		4,087,832
651,296,297	253,445,962	316,280,958	13,026,035	25,564,461	38,035,216	4,943,665

# Market Risk 46.2.2

Punjab Sindh KPK including FATA Balochistan Islamabad AJK including Gilgitbe

al for Market Risk is the

A þ Market Risk M The Bank's market risk is at-Risk (VaR) n

and Exch Prices, Rate, Equity F est ng for Inte ork. When · market risk as per Basel re e capital of the Bank. arge for m over the c the impo Standardized Approach is used to c activities is carried out regularly to e

ernal Capital Adequacy and Duration have also b proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Int Action Triggers & Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP ding actions by ALCO of the Bank. In addition to the regulatory requirements, Bank has devised Assessment Process (ICAAP). Limits/ zones and Management developed. These triggers are used for proposing / recommen

46.2.2.1 Balance sheet split by trading and banking books		2018			2017	
	Banking book	Trading book	Total	Banking book	Trading book	Total
			Rupe	Rupees in '000		
Cash and balances with treasury banks						
Balances with other banks						
Lendings to financial institutions						
Investments	1,132,100,010		152,219,378 1,284,319,388	610,035,499	685,684,051	1,295,719,550
Advances						
Fixed assets		•	•			
Intangible assets						
Deferred tax assets						
Other assets		•				
	1,132,100,010	,132,100,010 152,219,378 1,284,319,388	1,284,319,388	610,035,499		685,684,051 1,295,719,550

# 46.2.2.2 Foreign Exchange Risk

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ne interbank n with the SBP ( s with the SBP and in the int d, foreign placements with and bark  $\sigma^{\rm tr}$ as . In order t forward

	20	2018			11/2		
Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
			Rupees	Rupees in '000			
171,326,260	254,401,610	92,479,631	9,404,282	135,275,628	158,607,120	26,459,128	3,127,636
3,170,282	6,359,124	4,988,131	1,799,289	3,587,094	5,819,466	5,166,030	2,933,658
5,110,545	10,672,051	7,099,183	1,537,677	5,326,464	21,126,104	17,303,114	1,503,474
7,932,384	8,885,376	6,666,157	5,713,165	8,606,947	10,922,203	8,069,549	5,754,293
66,282,533	22,842,138	1,314,137	44,754,532	53,408,201	22,426,346	2,395,862	33,377,717
253.822.004	303.160.299	112.547.239	63.208.944	206.204.334	218 901 239	59 393 683	46 696 778

United States Dollar Great Britain Pound Japanese Yen Euro Other currencies

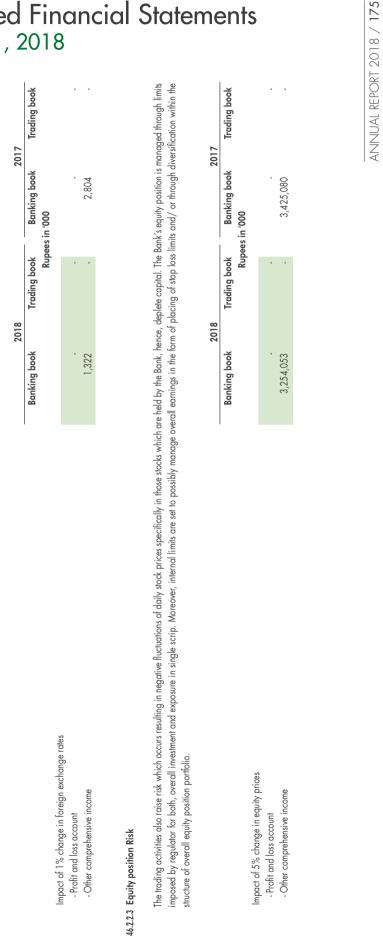
# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2018



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

3,923,630 2018 2017 Banking book Trading book Trading book Rupees in '000 Non-interest bearing financial instruments 223,009,094 6,437,346 773,839,61 65,210,90 1,230,50 92,475,10 388,363,00 9,944,1 716,304,4 6,620,688 10,325,821 13,079,526 23,405,347 Above 10 Years 4,418,739 112,598,318 26,297,797 3,312,140 32,999 38,896,115 3,345,139 Over 5 to 10 Years -7,254,690 76,305,713 65,971,676 113,425 4,136,245 42,277,389 4,249,670 8,027,710 Over 3 to 5 Years 2,364,941 1,417,699 58,004,390 19,844,648 2,364,941 6,901,796 ,266,737 t risk Over 2 to 3 Years 106,605,905 25,012,801 137,518 2,903,261 31,618,706 2018 Exposed to Yield/ Ir 6 Over 1 0 1 to 2 0 ans Years 3,040,779 28,577,927 Over 6 Months to 1 Year 33,395,849 83,030,025 252,115 46,068,888 703,934 (2,214,027) 17,129,808 46,321,003 70,808,805 800,616 100,000 74,571,877 2111,277,199 sset which is being monitored by ALCO with an objective to possibly li conds. Bank assumes that the sources of IRR are based on following su 10,036,682 59,104,551 10,099,425 69,141,233 17,608,459 41,337 86,749,692 Over 3 to 6 Month erm of banking book item slope or shape of the yield 899,549 100,000 518,721,300 328,961,309 848,682,158 19,111,863 28,015,302 73,421,491 3,575,750 47,127,165 01,554,993 Over 1 to 3 Month 24,509,176 3,360,575 104,773,968 228,579,277 151,301,522 359,775,652 1,094,919,396 31,240,350 41,587,500 in the s 328,796 512,524,518 Upto 1 Month <u>,454,695,04</u> [942,170,530 n the 247,518,270 12,202,020 106,391,667 1,284,319,388 926,007,004 926,007,004 92,475,161 2,668,913,510 9,944,178 392,739,396 2,011,385,201 112,547,239 45,163,250 716,304,478 169,358,853 2,583,427,628 85,485,882 Total /ing Effective Yield/ Interest rate 0.0% 4.2% 0.0% 0.0% 3.8% 7.3% 7.6% 0.0% nge in the ı nges to the med risks are not only interest rates e risk; arising from a chc rest Rate Ser ing risk; arising from Impact of 1% change in int - Profit and loss account - Other commune-Interest rate risk specific or gaps in the amount o atch of Int∈ Yield curve Basis risk; The above 46.2.2.5 Mis

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

# 151,524,8 23,405,347 927 55,180 6,750 2,152,097] 58,656,7 227,749,221 6,208 6,750 010 199 378,565,192 ,551 73,156,646 869,013,884 431,521 13,500 874,459,988 Iative Yield/Interest Risk est Risk Se -balance sheet gap otal Yield/Ir

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

			to the year end								ind	cic	al S	tate	emer	nts				2018 / 177	
	Non-interest bearing financial instruments		143,663,589 7,645,989 66,884,437 1,364,417 163,157,329	382,715,761	13,195,054 573,014,653 228,826,294	815,036,001 (432,320,240)	418,493,125			418.493.125	(13,827,115)	618,216,726	2017 n '000	2,412,058,500	32,210,079 541,924 7,316,833 53,193,632	73,202,400 2,505,320,968	2,329,243,550	- 695,337 695,337	2,329,938,887	annual report	
	Above 10 H Years		9,945,674 111,379,523	21,325,197		21,325,197					21,325,197	632,043,841	2018 2017 Rupees in '000	2,668,913,510	53,859,883 245,658 75,547,137	2,798,566,188	2,583,427,628	6,985,042 1,284,983 8,270,025		ANN	
	Over 5 to 10 Years		- 86,578,718 17,402,404	103,981,122	1,479,829	1,499,829					102,481,293	610,718,644									
	Over 3 to 5 Years		97,651,046 56,486,299	154,137,345	381,394 353,326 353,326	/34,/20 153,402,625					153,402,625	508,237,351									
-	ist risk Over 2 to 3 Years		85,493,141 27,439,802	112,932,943	19,507 1,489,643	111,423,793					111,423,793	354,834,726									
2017	ea to Tiela/ Intere Over 1 to 2 Years	Kupees In 'UUU	84,935,151 19,141,832	104,076,983	21,938,690	22,349,955 81,727,028				13,500 13,500	81,740,528	243,410,933									
1	expos Over 6 Months to 1 Year		440,497 33,147,436 34,345,482	67,933,415	72, 197,777	(4,356,136)		233,683		62,022 7,715 303,420	(4,052,716)	161,670,405									
	Over 3 to 6 Month		622,200 31,520,848 95,097,075	127,240,123	6,284,508 44,157,222 5,775	50,447,505 76,792,618		2,445,420		23,777 1,900 2.471.097	79,263,715	165,723,121									
	Over 1 to 3 Month		11,972,068 500,025 313,919,055 211,860,154	538,251,302	24,762,948 42,763,009 5,643	6/,531,600 470,719,702	·	43,201,818 64,140,125		31,953 - 107.373.896	578,093,598	86,459,406									
	Upto 1 Month		16,426,030 5,723,152 26,416,048 485,644,044 265,254,995	799,464,309	326,677,540 971,167,699 -	(498,380,930)		13,512,763 (7,475,000)		708,975 - 6.746.738	(491,634,192)	(491,634,192)									
	Total		160,089,619 26,403,906 26,916,113 26,916,113 733,771,983 163,157,329	2,412,058,500	13,195,054 360,105,674 1,727,102,019 14,509 228,826,294	2,329,243,550 82,814,950	418,493,125	59,393,684 56,665,125		826,727 23,115 535.401.776											
-	Effective Yield/ Interest rate	:	0.0% 0.0% 0.0% 0.0%		0.0% 3.7% 0.0% 0.0%		ions			I	1		otal Assets						_		
		On-balance sheet financial instruments	Assets Cash and balances with treasury banks Balances with anks Lendings to financial institutions Advances Other assets	Liabilities	Bills poyable Borrowings Deposits and other accounts Liabilities against assets subject to finance lease Other liabilities	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 - torward government securities transactions - devicatives	- forward lealing Commitmonts for accountsition of	Comments for acquisition of the comments of the commitments of the com	Total Yield / Interest Risk Sensitivity Gap	Cumulative Yield / Interest Risk Sensitivity Gap	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 Intongible 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	Defered Tax Liabilities Other Liabilities	Total liabilities as per statement of financial position		





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

### 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.

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

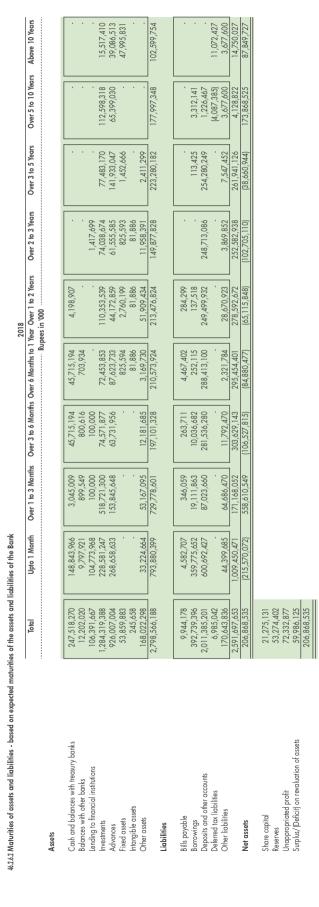


Cash and balances with treasury banks	247,518,270	247,406,130	112,140			•		•	•					
Balances with other banks	12,202,020	6,437,346	1,543,778	1,089,904	726,892	280,381	619,168	800,616	579,334	124,601		•		•
Lending to financial institutions	106,391,667		101,773,968	3,000,000	•	•	100,000	100,000	•	•		1,417,699	•	•
lirves tments	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	63,445,603	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 as sets	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	11,958,391	2,411,297	•
	2,798,566,188	555,006,667	324,302,154	14,845,861	38,939,371	608,683,677	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	805,529	805,198	28,670,924	3,869,852	7,547,452	7,355,200
	2,591,697,653	1,736,248,210	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	[135,610,294]	[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													

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															ate 31					ar	C	ic	l l	Sto	at	e	m	eı	nts
	Over 5	years						101,783,389	76,132,219	26,526,198		4,470,358		208,912,164			1,479,830	445,424			6,876,088	8,801,342	200,110,822						
	Over 3 to	5 years				•	•	98,850,064	120,036,618	1,374,165	•	2,846,475	2,593,594	225,700,916			381,394	28,615,671			7,039,121	36,036,186	189,664,730						
	Over 2 to	3 years			•	•		96,800,149	51,050,673	2,652,366	180,642	•	12,585,680	163,269,510			19,507	7,090,926			3,601,078	10,711,511	152,557,999						
	Over 1 to	2 years						87,191,286	69,409,648	828,675	180,641		31,352,263	188,962,513		•	411,265	19,893,457			24,666,417	44,971,139	143,991,374						
	Over 9 months	to 1 year						27,812,191	22,193,772	828,675	180,641		708,648	51,723,927		•	70,897	25,118,040			736,055	25,924,992	25,798,935						
	Over 6 to	9 Months				440,497		52,206,067	41,494,397				709,942	94,850,903		•	17,785	22,461,382		3,091	736,385	23,218,643	71,632,260						
	Over 3 to	6 Months	000			622,200		31,520,848	61,363,913			•	9,586,732	103,093,693			6,284,508	59,659,885		5,775	7,609,665	73,559,833	29,533,860						
2017	Over 2 to	3 Months	Rupees in '000			8,334,691		566,257	15,794,675				73,136,392	97,832,015			23,988,298	24,553,298			81, 152,482	129,694,078	[31, 862,063]						
	Over 1 to	2 Months				3,637,377	500,025	313,352,798	29,842,725				73,011,610	420,344,535		•	774,650	17,837,126		5,643	68,238,271	86,855,690	333,488,845						
	Over 14 days	to 1 Month				4,241,083		307,398,671	32,212,831				317,554	344,170,139		•	16,245,462	58,829,144			81,138	75,155,744	269,014,395						
	Over 7 to	14 days				466,402	994,492	51,354	2,503,373	•	•		134,629	4,150,250		•	3,850,000	6,947,725			34,399	10,832,124	(6,681,874)						
	Over 1 to	7 days			82,960	794,832	25,421,596	173,882,666	852,507				127,078	201,161,639		•	299,680,135	19,777,977			32,470	319,490,582	(118,328,943)						
	Upto 1	Day			160,006,659	7,866,824		4,303,810	216,884,632				12,086,839	401,148,764		13,195,054	6,901,943	1,435,871,964			28,718,062	1,484,687,023	(1,083,538,259)						
	Total				160,089,619	26,403,906	26,916,113	1,295,719,550	739,7771,983	32,210,079	541,924	7,316,833	216,350,961	2,505,320,968		13, 195,054	360,105,674	1,727,102,019		14,509	229,521,631	2,329,938,887	175,382,081	21,275,131	50,356,895	54,060,653	49,689,402	175,382,081	
				Assets	Cash and balances with treasury banks	Balances with other banks	Lending to financial institutions	Investments	Advances	Fixed assets	Intangible assets	Deferred tax assets	Other assets		Liabilities	Bills payable	Borrowings	Deposits and other accounts	Liabilities against assets subject to	finance lease	Other liabilities		Net assets	Share capital	Reserves	Unappropriated profit	Surplus on revaluation of assets		

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





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						2017				
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Y	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
					Kup					
treasury banks	160,089,619	93,001,602	22,362,672	22,362,673	22,362,672				•	
S	26,403,906	13,369,141	11,972,068	622,200	440,497					
utions	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
	541,924	•			180,642	180,641	180,641			
	7,316,833			•		•	•	2,846,475	4,470,358	
	216,350,961	22,127,764	137,689,781	8,583,291	1,418,588	31,352,263	12,585,680	2,593,594	•	
	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	
unts	1,727,102,019	544,976,676	79,762,825	210,406,564	214,764,551	226,942,098	214,139,567	235,664,313	445,425	
subject to finance lease	14,509		5,643	5,776	3,090					
	229,521,631	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)	322,489,363	(114,904,523)	(53,369,193)	(59,910,824)	(51,358,944)	(8,932,764)	135,786,743	60,129,968
	21 275 131									
	21,27,07									
	50,356,895									
	54,060,653									
uation of assets	49,689,402									
	175 387 081									

Assets Cash and balances with treasu Balances with other banks Lending to financial institutions Investments Advances Fixed assets Diletred tox assets Other assets Cyter assets Cyter assets



### 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 derivate 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.

### EVENTS AFTER THE REPORTING DATE 47.

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.

### CORRESPONDING FIGURES 48.

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.

### GENERAL 49.

Figures have been rounded off to the nearest thousand rupees. 49.1

### DATE OF AUTHORIZATION FOR ISSUE 50.

The financial statements were authorized for issue on February 22, 2019 by the Board of Directors of the Bank.

### Arif Usmani

Muhammad Imran Malik Directo

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

### 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**

Sr. No.	Name & Address of the borrower	Name of Individuals/	Fathers/Husband's name.	(	Dutstanding liabilitie:	s at heatinning of	VAR		Interest/	Rupees Other financial	
JI. 140.		Partners/Directors	ramers/mossana s name.	Principal	Interest/	Others	Total	Principal	Mark-up	relief/waiver	
		with NIC No.			Mark-up		(5+6+7)	written-Off	written off.	provided.	(9+10+11)
1	2	3	4	5	6	7	8	9	10	11	12
1	Punjab Printing (Pvt) Limited	Khalil Hashmat	Hashmat Ali	30,000	22,077	169	52,246		-	10,865	10,865
	16-KM Multan Road,Lahore	352025-926909-1									
		Misbah Khalil	Khalil Hashmat								
		35202-5738845-2									
2	Heavy Mechanical	Government Institution	N/A	406,818	130,921		537,739			130,921	130,921
	Complex		.,	,							
3	Mr. Muhammad Idrees	Muhammad Idrees	Ch. Mian Khan	598	211	651	1,460		· ·	598	598
	(Saiban Loan)	36302-4970934-9									
4	M/S Gas Linkers	Muhammad Nasir Khan Lodhi	Mr. Nisar Khan Lodhi	9,780	6,564	150	16,494			3,587	3,587
-	ing o ous Ellikols	36302-7256811-5	Mil. Hugur Khun Eduni	7,700	0,004	100	10,474			0,007	0,00/
		Naeem Ghous Qureshi	Mr. Shabbir Ahmad Qureshi								
		36302-1324272-5									
		Naveed Ahmad Lodhi 36302-5005741-5	Mr. Nisar Khan Lodhi								
		30302-3003741-3									
		Mst. Ahmedi Begum	Mr. Mian Jaffar Hussain								
		36302-4508710-8									
5	Javaid Trading Company,	M Aslam Khan	Ibrahim Khan	239	-	2,198	2,437			645	645
	Mian Channu	33202-7173874-5									
6	Jamal Naveed Paper Mills	M Naveed Mughal	Jamal Din	111		2,096	2,207			809	809
	Juliu Mareeu Taper Milis	36103-7416082-7	Janai Din		_	2,070	2,207	-		007	007
		Farhana Naveed	M Naveed Mughal								
		36104-4752462-0									
7		M. A	Muhammad Ali		204	1 000	2 200			1.007	1.004
7	Ramay Model Ginnig Factory, Vehari	M. Anwar Ramay 36603-7495795-9	Muhammad Ali	-	296	1,992	2,288			1,026	1,026
	venun	30003-/ 473/ 73-7									
		Mst. Safia Sultana	M Ashraf Ramay								
		450086729 Passport	,								
		Mst Shehnaz Anwar	M Anwar Ramay								
		36603-9580703-6									



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### Annexure - I



Sr. No.	Name & Address of the borrower	Name of Individuals/	Fathers/Husband's name.		Dutstanding liabilities	at hasinning of			Interact/	Rupees	
5r. INO.	Nume & Address of the porrower	Partners/Directors	rumers/nosband's name.	Principal	Interest/	Others	Total	Principal	Mark-up	relief/waiver	Total
		with NIC No.			Mark-up		(5+6+7)	written-Off	written off.	provided.	(9+10+11)
1	2	3	4	5	6	7	8	9	10	11	12
8	Al-Madina CNG GT.Road Hasanabdal	Masood Pervaiz Kiani 37405-0788862-7	Raja Allah Dad	10,220	3,164	3,580	16,964	-	-	867	867
		Mst. Farzana Bibi 37405-2185846-2	Raja Muhammad Hanif								
		Mst. Fahmeeda Begum 37405-7426440-6	Raja Zumarad Khan								
		Mst. Iffat Perveen 37405-0512356-6	Liaqat Ali Kiani								
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	Muhammad Naseem Sethi	10,699	823	3,581	15,103	-	-	1,023	1,023
		Umair Adnan 34201-5402368-9	Adnan Naseem								
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	Muhammad Anwar Sheikh	2,300	-	2,248	4,548	-	-	1,626	1,626
		Waseem Anwar Sheikh 34603-3020187-5	Muhammad Anwar Sheikh								
		Usman Ali 34603-6584707-1	Muhammad Suleman								
		Nadia Shama 34603-8449854-4	Qaiser Anwar Sheikh								

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

Sr. No.	Name & Address of the borrower	Name of Individuals/	Fathers/Husband's name.	(	Outstanding liabilities at beginning of year				Interest/	Other financial	
		Partners/Directors		Principal	Interest/	Others	Total	Principal	Mark-up	relief/waiver	Total
		with NIC No.			Mark-up		(5+6+7)	written-Off	written off.	provided.	(9+10+1
1	2	3	4	5	6	7	8	9	10	11	12
14	M/S Nawaz Steel Furnace	Muhammad Nawaz 34502-8668970-9	Muhammad Saddique		-	4,814	4,814	-	-	3,610	3,610
		Muhammad Niaz 34502-0883942-9	Muhammad Saddique								
		Muhammad Shahid 34502-1102673-1	Muhammad Saddique								
15	Kh. Atif Raza	Kh. Atif Raza 34601-0795218-1	Kh. Farasat Ullah Khan	900		4,041	4,941	-	-	3,539	3,53
		Khalida Perveen 34601-5543248-2	Kh. Atif Raza								
16 Geo Oil Mills Pvt Ltd Plot No.2-C; 3rd Floor, Sunset Lane No.01 D.H.A Phase II Ext. Karachi	Plot No.2-C; 3rd Floor, Sunset Lane	Qazi Amjad Abid Abbasi 42301-1470554-5	Qazi Abdul Majeed Abid	49,995	20,053	36	70,084	-		9,084	9,08
		Mrs. Husna Amjad Kazi 42301-2513839-0	Qazi Amjad Abid Abbasi								
		Arshad Mirza 42301-9618970-5	lqbal Mirza								
7	Dadabhoy Cement Industries Ltd. Office # 4, Second Floor, Plot # 30, Ittehad Lane # 12, Phase VIII Defance Hauring	Mr.Muhammad Hussain Dadabhoy 517-45-174895	Abdul Ghani Dadabhoy	7,303		30,977	38,280		-	30,977	30,97
	Phase VII, Defence Housing Authority, Karachi	Mrs.Yasmin Dadabhoy 517-91-453214	Muhammad Hussain Dadabhoy								
		Mrs.Humaira Dadabhoy 517-88-228760	Muhammad Hussain Dadabhoy								
		Mr.Muhammad Amin Dadabhoy 517-89-228761	Muhammad Hussain Dadabhoy								
		Mr.Fazal Karim Dadabhoy 517-94-396898	Muhammad Hussain Dadabhoy								
		Mrs.Razia Hussain Dadabhoy 517-47-228759	Muhammad Hussain Dadabhoy								
18	Niaz Hussain	Niaz Hussain 32103-0299511-3	Faiz Muhammad	502	43		545	502	-	43	54
	Total			530,798	184,152	57,500	772,450	1,835		200,187	202 02





The

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

			Annexure - II
ISLAMIC BANKING BUSI	NESS		
e bank is operating 192 (2017: 169) Islamic banking branches and no	Islamic banking w		
		2018	2017
	Note	Rupees	in '000
ASSETS		4 / 40 0 / 0	2.010.774
Cash and balances with treasury banks Balances with other banks		4,649,968	3,019,664
	1	4,319	2,809,667
Due from financial institutions	1	1,417,699	17.054.007
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
		59,087,660	43,975,444
LIABILITIES		000.000	
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
		56,236,021	42,411,653
NET ASSETS		2,851,639	1,563,791
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)
		2,851,639	1,563,791

The profit and loss account of the Bank's Islamic banking branches for the year ended 2018 is as follows:

с , , , , , , , , , , , , , , , , , , ,		2018	2017
	Note	Rupee	s in '000
Profit / return earned	7	3,117,907	2,021,472
Profit / return expensed	8	(1,423,091)	(954,510)
Net Profit / return		1,694,816	1,066,962
Other income			
Fee and Commission Income Dividend Income		285,190	254,425
Foreign Exchange Income		19,466	1,113
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other Income		39,140	36,095
Total other income		343,796	291,633
Total Income		2,038,612	1,358,595
Other expenses			
Operating expenses		(2,008,278)	(1,586,730)
Workers Welfare Fund		-	-
Other charges		-	
Total other expenses		(2,008,278)	(1,586,730)
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		(57,150)	(228,135)

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

Due from Financial Institutions 1 Secured Unsecured Bai Muajjal Receiveable from State Bank of Pakistan

2

This represent Bai Muajjal agreement with Government of Pakistan and carries profit rate 12.82% per annum.

			2018			2017					
	Cost/	Provision for	Surplus/	Carrying	Cost/Amortised	Provision for	Surplus/	Carrying			
	Amortised cost	diminution	(Deficit)	Value	cost	diminution	(Deficit)	Value			
				····· 'Rupee	s in '000						
Investments by segments:											
Federal Government Securities	5:										
-Ijarah Sukuks	9,740,000	-	(56,116)	9,683,884	11,123,388	-	69,926	11,193,314			
	9,740,000	-	(56,116)	9,683,884	11,123,388		69,926	11,193,314			
Non Government Debt Securities	S										
-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			
	13,596,390	(130,807)	764,905	14,230,488	6,770,390	(130,807)	22,000	6,661,583			
Total Investments	23,336,390	(130,807)	708,789	23,914,372	17,893,778	(130,807)	91,926	17,854,897			

### 3 Islamic financing and related assets

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

- General

Islamic financing and related assets - net of provision



	2018			2017	
In Local	In Foreign	Total	In Local	In Foreign	Total
Currency	Currencies		Currency	Currencies	
		Rupees	in '000		
					-
					-
1,417,699	-	1,417,699		-	
1,417,699		1,417,699			

Note	2018 Rupee	es in	2017 '000
3.1	436,069		307,253
3.2	2,024,071		1,221,869
	69,867		-
	11,971,073		5,137,063
	525,434		-

525,454	-
8,500,000	8,500,000
3,580,044	3,972,013
27,106,558	19,138,198
(278,995)	(191,794)
(283)	-
(279,278)	(191,794)
26,827,280	18,946,404

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

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				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	Book Value as a 31 Dec 2018
				Rupees in 000 ·····			
	451,451	287,508	738,959	216,383	140,209	356,592	382,367
	78,867	74,669	153,536	6,682	93,152	99,834	53,702
	530,318	362,177	892,495	223,065	233,361	456,426	436,069
				2017			
		Cost		Accu	mulated Deprecia	tion	
	At January	Additions /	As at Dec	At January	Charge for	As at Dec	Book Value as a
	1, 2017	(deletions)	31, 2017	1, 2017	the year	31, 2017	31 Dec 2017
				Rupees in 000			
	293,016	158,435	451,451	134,325	82,058	216,383	235,068
	13,706	65,161	78,867	3,014	3,668	6,682	72,185
	306,722	223,596	530,318	137,339	85,726	223,065	307,253
		2018			2017		
Not				Not	Later than 1	Over	
later than	year & le	ss Five	Total	later than	year & less	Five	Total
1 year	than 5 yea	irs years		1 year	than 5 years	years	;
	later than	1, 2018           451,451           78,867           530,318           At January           1, 2017           293,016           13,706           306,722           Not         Later than           later than	At January         Additions / (deletions)           4, 2018         (deletions)           451,451         287,508           78,867         74,669           530,318         362,177           Cost           At January         Additions / 1,2017           293,016         158,435           13,706         65,161           306,722         223,596           2018           Not         Later than 1         Over           later than         year & less         Five	At January 1, 2018         Additions / (deletions)         As at Dec 31, 2018           451,451         287,508         738,959           78,867         74,669         153,536           530,318         362,177         892,495           Cost           At January         Additions / (deletions)         As at Dec 31, 2017           293,016         158,435         451,451           13,706         65,161         78,867           306,722         223,596         530,318           2018           Not           Later than 1         Over           year & less         Five         Total	Cost         At January         Additions / (deletions)         As at Dec 31, 2018         At January 1, 2018         At January 1, 2018         At January 1, 2018           451,451         287,508         738,959         216,383           78,867         74,669         153,536         6,682           530,318         362,177         892,495         223,065           2017           Cost         Accu           At January         Additions / (deletions)         As at Dec 31, 2017         At January           1, 2017         (deletions)         31, 2017         1, 2017           Rupees in 000          Rupees in 000            293,016         158,435         451,451         134,325           13,706         65,161         78,867         3,014           306,722         223,596         530,318         137,339           2018           Not           Later than 1         Over         Not           Addition for all later than	Cost         Depreciation           At January         Additions / (deletions)         As at Dec 31, 2018         At January 1, 2018         Charge for 1, 2018           451,451         287,508         738,959         216,383         140,209           78,867         74,669         153,536         6,682         93,152           530,318         362,177         892,495         223,065         233,361           Cost         Accumulated Deprecia           At January         Additions / Additions / 1, 2017         As at Dec (deletions)         At January         Charge for Cost           At January         Additions / (deletions)         As at Dec 31, 2017         At January         Charge for Charge for Cost           At January         Additions / (deletions)         As at Dec 31, 2017         At January         Charge for Charge for Cost           At January         Additions / (deletions)         As at Dec 31, 2017         At January         Charge for Charge for Cost           293,016         158,435         451,451         134,325         82,058           13,706         65,161         78,867         3,014         3,668           306,722         223,596         530,318         137,339         85,726           2018         2017	Cost         Depreciation           At January         Additions / (deletions)         As at Dec 31, 2018         At January 1, 2018         Charge for the year         As at Dec 31, 2018           451,451         287,508         738,959         216,383         140,209         356,592           78,867         74,669         153,536         6,682         93,152         99,834           530,318         362,177         892,495         223,065         233,361         456,426           Cost           Accumulated Depreciation           At January         Additions / Additions / 1, 2017         As at Dec 1, 2017         At January (deletions)         At January 31, 2017         Charge for 1, 2017         As at Dec 31, 2017           293,016         158,435         451,451         134,325         82,058         216,383           13,706         65,161         78,867         3,014         3,668         6,682           306,722         223,596         530,318         137,339         85,726         223,065           2017           Not         Later than 1         Over         Not         Later than 1         Over           1         Gotal         Five         Total         later than<

			2018	2017
		Note	Rupees	in '000
3.2	Murabaha			
	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

	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,		5,441,783
	·····				290,		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	In Foreigr		In Local	In Foreign	Total
		In Local Currency		5	Currency		Total
			In Foreigr	5		In Foreign	Total
	Customers		In Foreigr	5	Currency	In Foreign	Total
	<b>Customers</b> Current deposits		In Foreigr Currencies	5	Currency	In Foreign	
		Currency	In Foreigr Currencies	s Rupees	Currency in '000	In Foreign Currencies	11,347,804
	Current deposits	Currency	In Foreigr Currencies	s Rupees	Currency in '000	In Foreign Currencies	11,347,804 18,162,265
	Current deposits Savings deposits	Currency 16,286,985 26,885,268	In Foreigr Currencies 60,170	s Rupees	Currency in '000 11,241,325 18,162,262	In Foreign Currencies	11,347,804 18,162,265 2,593,239
	Current deposits Savings deposits	Currency 16,286,985 26,885,268 2,608,640	In Foreigr Currencies 60,170	s Rupees 16,347,155 26,885,268 2,608,640	Currency in '000 11,241,325 18,162,262 2,593,239	In Foreign Currencies 106,479	11,347,804 18,162,265 2,593,239
	Current deposits Savings deposits Term deposits <b>Financial Institutions</b> Current deposits	Currency 16,286,985 26,885,268 2,608,640	In Foreigr Currencies 60,170	s Rupees 16,347,155 26,885,268 2,608,640	Currency in '000 11,241,325 18,162,262 2,593,239	In Foreign Currencies 106,479	11,347,804 18,162,26 2,593,239 32,103,305
	Current deposits Savings deposits Term deposits <b>Financial Institutions</b> Current deposits Savings deposits	Currency	In Foreigr Currencies 60,170	s Rupees 16,347,155 26,885,268 2,608,640 45,841,063 505,685 126,897	Currency in '000 11,241,325 18,162,262 2,593,239 31,996,826 587,293 217,745	In Foreign Currencies 106,479	11,347,804 18,162,26 2,593,239 32,103,305 587,295 217,745
	Current deposits Savings deposits Term deposits <b>Financial Institutions</b> Current deposits	Currency	In Foreigr Currencies 60,170	Rupees 16,347,155 26,885,268 2,608,640 45,841,063 505,685 126,897 4,548,476	Currency in '000 11,241,325 18,162,262 2,593,239 31,996,826 587,293 217,745 4,000,000	In Foreign Currencies 106,479	11,347,804 18,162,26 2,593,233 32,103,302 587,293 217,742 4,000,000
	Current deposits Savings deposits Term deposits <b>Financial Institutions</b> Current deposits Savings deposits	Currency	In Foreigr Currencies 60,170 - - - 60,170 - - - - - - - - - -	s Rupees 16,347,155 26,885,268 2,608,640 45,841,063 505,685 126,897	Currency in '000 11,241,325 18,162,262 2,593,239 31,996,826 587,293 217,745	In Foreign Currencies 106,479	11,347,804 18,162,262 2,593,239



2018				2017
	Rupees	in	'000	

1,299,670	552,789
9,048,097	5,536,029
8,235,087	4,789,148
2,112,680	1,299,670
9,048,097	5,536,029
8,757,480	5,441,783
290,617	94,246
40,769	34,612
268,985	78,664
284,382	72,507
25,372	40,769

	2018	2017
	Rupee	s in '000
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
	51,022,121	36,908,343

This includes deposits eligible to be covered under insurance arrangements amounting to Rs 26,139 million. 4.2

	2018 Ruper	2017 es in '000
Charity Fund		
Opening Balance	469	-
Additions during the period		
Received from customers on account of delayed payment	1,059	469
Payments / utilization during the period	1,528	469
Education	469	-
Closing Balance	1,059	469

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
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	(57,150)	(228,135)

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

7	Profit/Return Earned of Financing, Investments
	Profit earned on:
	Financing
	Investments
	Placements
	Others (Bai Muajjal)
8	Profit on Deposits and other Dues Expensed
	Deposits and other accounts
	Others (General Account)
9	Pool Management
	NBP-AIBG has managed following pools for profit and loss

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.

4.1

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2018 2017 Rupees in '000

s and Placement

1,663,027	631,707
1,428,950	1,039,236
16,977	172,429
8,953	178,100
3,117,907	2,021,472
965,496	666,837
965,496 457,595	666,837 287,673
· · · · · ·	

s distribution.

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 Modaraba based deposits have been deployed.

	2018	2017
	Perc	entage
Sector		
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

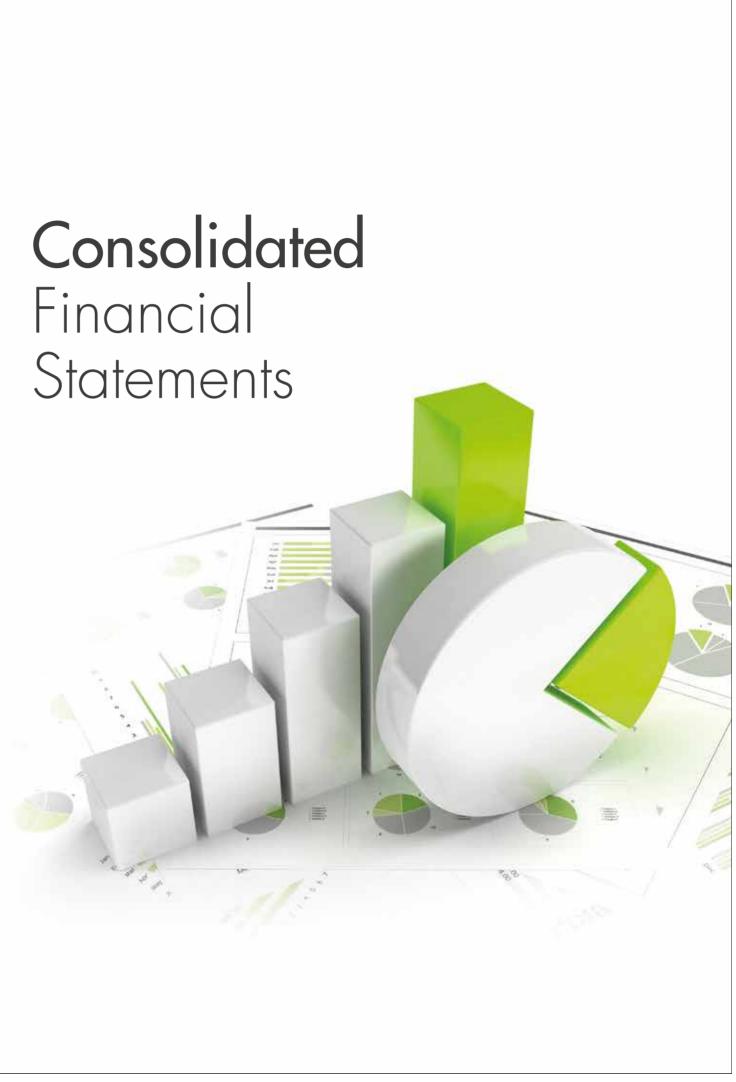
Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

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.

Mudarib Share	2018 Rupees in '000
	0.10//50
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%.







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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 '000
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

# بورڈ آف ڈائر یکٹرز کی جانب سے 31 دسمبر 2018 کوختم شدہ ہالیاتی سال کے لیے بینک اوراُس کے ماتحت اداروں کی مجموعی فنانش سیٹمنٹس کا حساب پیش کرتے ہوئے ہمیں

31 دسمبر 2018 کوشتم شدہ سال کے لیے ٹیکس کے بعد کے مجموعی منافع کی مالیت 20.04 ارب یا کستانی روپے ہے جو کہ 31 دسمبر 2017 کوشتم 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 گرو کے بینز کا حصہ 20.2 ملین 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 مقالے میں 31 دسمبر 2018 تک 2,803.9 ارب پاکستانی رویے ہے۔ مجموعی آمدنی فی خصص کی مالیت اس جائزہ رپورٹ کے مطابق سال 2017 کے لیے 10.90 رویے کے مقابلے میں اس سال کی مالیت 9.36روپے ہے۔







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ڈائر یکٹرز کی رپورٹ برائے حصص یافتگان مجموعی مالیاتی گوشوارے

خوشی مسوں ہورہی ہے۔ بیرمجموعی فنانشل المیٹمنٹس رائح عالمی مالیاتی ریورٹنگ کے معیارات ،اسلامی مالیاتی اکا وُنٹنگ کے معیارات اور دیگر لاگو ہدایات کے مطابق تیار کی گٹی ہیں۔

آ پریٹنگ کے نتائج اور مجموعی منافع کے تصرف سے متعلق بورڈ کی تجاویز درج ذیل ہیں : (ملين روپے) 31 دسمبر 2018 کوختم شدہ سال کے لیے ٹیکس سے قبل منافع 29,880 محاصل:

🛧 جاری
🛧 گذشتہ سال(سالوں) کے
🛠 زىرالتوى قرضه جات

9,844 31 دمبر 2018 کوشتم شدہ سال کے لیے کمپس کے بعد منافع 20.035 غیرتصرف شدہ منافع کوا گلےحساب میں لےجایا گیا 58,069 ٹیس کے بعد کی دیگر جامع خالص آمدنی 156 نان کنٹر ولنگ سود (122)ٹیکس کے بعد کے جامدا ثاثہ جات کا دوبارہ تخمینہ اوراضا فی گوشواروں کی منتقلی 103 خرجہجات کے لیے دستیاب منافع 78,241 تصرفات: قانوني تحفظ کے لیے تقلی (2,002)غيرتصرف شده منافع كوا گلےحساب ميں ڈالا گبا 76,240

بنیادیاورر قیق آمدنی فی حصص (روپے ) 9.36 بورڈ آف ڈائر یکٹرز کے لیے یا اُن کی جانب سے عارف عثاني محمدعمران ملك ڈائر یکٹر صدروچيئر مين كراچي بتاريخ: 22 فرورى2019



### **Deloitte Yousuf Adil** Chartered Accountants

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

### Independent Auditors' Report

### To the members of National Bank of Pakistan

Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the annexed consolidated financial statements of **National Bank of Pakistan and its subsidiaries (the Group)**, which comprise the consolidated statement of financial position as at December 31, 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.	Impairment of loans and advances 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	<ul> <li>For selected samples, we:</li> <li>Updated our understanding and evaluated design and implementation of relevant controls;</li> <li>evaluated borrowers through repayment behavior and assessment of financial strength based on the available</li> </ul>
	provision against NPLs and Rs. 7.2 billion as general provision. 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	<ul> <li>financial statements, adequacy of security/collateral, electronic credit information bureau (eCIB) reports and compliance with Prudential Regulations;</li> <li>evaluated the appropriateness of subjective evaluation made by management for performing parties;</li> <li>ensured that any provision identified by the SBP was recognized ; and</li> </ul>
	required to make provision, if any, identified by the regulator (SBP). 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	<ul> <li>in case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the Prudential Regulations.</li> </ul>

### S. No. Key Audit Matters recognition of such provision and their impact could be material to the consolidated financial statements. Valuation of listed equity shares, units of mutu 2. funds and term finance certificates classified available-for-sale As disclosed in note 10.1 to the consolidated finance statements, the Group has significant investment in equ shares, units of mutual funds and term finance certifica (TFCs) classified as available for sale. As per the Grou policy, listed equity shares and units of mutual funds required to be considered for impairment when there i significant or prolonged decline in the fair value investments except where SBP relaxation has be obtained. Further, TFCs are required to be assessed as p the SBP's Prudential Regulations which involves subject criteria The significance of the investment amount, subjective involved and assumptions used in impairment make significant to the consolidated financial statemer Therefore, we have considered this as a key audit matt 3. Change in accounting policy as a result of change in the Companies Act, 2017, and changes in format for the financial statements issued by State Bank of Pakistan (SBP) As referred in note 6 to the consolidated finance statements, the Companies Act, 2017 (the Act) becar applicable which changed the accounting treatment a presentation of surplus on revaluation of fixed asse Previously, the deficit arising on revaluation of fixed ass was adjusted against the total balance in the surp account, or if there was no surplus, it was charged to pro and loss account. Surplus was also presented in financial statements below equity. As per the revis changes, deficit arising on any particular item of fix asset; first it is adjusted against surplus of that particu asset, if any available, and then the remaining amount charged to profit and loss account instead again adjusting of surplus of any other items of fixed assets. SBP also changed the format of financial statements th requires the Group to disclose reserves on revaluation investments and fixed assets in statement of changes equity whereas in the previous years, these were disclos in the statement of financial position below equity. Due to the above, the Group changed its accounti policy to account for surplus on revaluation of land a building and investments classified as available for so with retrospective effect. Furthermore, during the year, management involved expert to revalue land and buildings, which resulted revaluation surplus net of deferred tax of Rs. 20.26 billio We have considered the above as key audit matter due change in policy and involvement of the expert by Group

Grant Thornton Anjum Rahman Chartered Accountants 1 st & 3rd Floor, Modern Motors House Beaumont Road Karachi 75530, Pakistan



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	How the matter was addressed in our audit
e	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.
ual as	On a sample basis, we have performed the following procedures:
cial uity utes	<ul> <li>each investment's cost was compared to its market value where available to determine decline / surplus in valuation;</li> </ul>
p's are s a of een per	<ul> <li>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</li> </ul>
vity e it nts.	• 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.
jes	Our audit procedures included the following;
the the cial me and	• 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.
ets. sets olus ofit the sed	<ul> <li>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</li> </ul>
ked ular it is	<ul> <li>assessed the competence, objectivity and independence of the valuers engaged by the Group.</li> </ul>
hat of in	<ul> <li>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</li> </ul>
ing and ale	<ul> <li>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;</li> </ul>
an in on.	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.
e to the	

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### 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.

- presentation
- 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 reaurements reaarding 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 Khalia-ur-Rahman on behalf of Deloitte Yousuf Adil and Grant Thornton Anjum Rahman respectively.

**Deloitte Yousuf Adil** Chartered Accountants

Place: Karachi **Date:** February 22, 2019



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• 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

• 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

> Grant Thornton Anium Rahman Chartered Accountants



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# Consolidated Statement of Financial Position As at December 31, 2018

2016	2017	2018			2018	2017	2016
U	S Dollars in '(	000		Note	1	Rupees in '000	)
Restated	Restated					Restated	Restated
			ASSETS				
1,155,263	1,155,141	1,785,352	Cash and balances with treasury bank	as 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 lea	ase 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.

# Consolidated Profit and Loss Account For the year ended December 31, 2018

2017	2018			2018	2017
US Dolla	ars in '000		Note	Rupee	s 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
393,227	438,503	Net mark-up / return / interest income		60,891,324	54,604,280
100 507	144001	NON MARK-UP / INTEREST INCOME	07	00.100.007	10 (00 001
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
231,274	271,310	Total non-markup / interest income	_	37,674,444	32,115,231
624,501	709,813	Total income		98,565,768	86,719,511
		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
360,367	413,940	Total non-markup / interest expenses		57,480,491	50,041,259
264,134	295,873	Profit before provisions		41,085,277	36,678,252
3,851	80,695	Provisions and write offs - net	32	11,205,488	534,732
260,283	215,178	PROFIT BEFORE TAXATION		29,879,789	36,143,520
92,161	70,894	Taxation	33	9,844,489	12,797,658
168,122	144,284	PROFIT AFTER TAXATION		20,035,300	23,345,862
		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
168,122	144,284	-		20,035,300	23,345,862
USE	Dollars			Ru	pees
0.08	0.07	Basic earnings per share	34	9.36	10.90
0.08	0.07	Diluted earnings per share	35	9.36	10.90
			-		

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

Arif Usmani President

A. Akbar Sharifzada Muhammad Naeem Director

Director

Muhammad Imran Malik Director

Arif Usmani President

Abdul Wahid Sethi Chief Financial Officer



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A. Akbar Sharifzada Director

Muhammad Naeem Director

Muhammad Imran Malik Director

2017 US Dolla Restated	2018 ars in '000		2018 Ruped	2017 es 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:		
		Exchange gain on translation of net assets of		
11,187	11,190	foreign branches, subsidiaries and joint venture	1,553,803	1,553,454
		Movement in surplus on revaluation of		
(54,774)	(74,622)	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:		
		Remeasurement gain / (loss) on defined		
(19,844)	1,122	benefit obligations - net of tax	155,785	(2,755,579)
		Movement in surplus on revaluation of		
-	145,913	fixed assets - net of tax	20,261,759	-
		Movement in surplus on revaluation of		
7,544	(1,203)	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

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

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

### Arif Usmani Presiden

1,191

112,235

880 Non-controlling interest

226,684

A. Akbar Sharifzada Director

Muhammad Naeem Director

Muhammad Imran Malik Director

122,196

31,477,459

165,333

15,585,277

# Consolidated Statement of Changes in Equity For the year ended December 31, 2018

			Rec	Reserves			Surplus on rev	Surplus on revaluation of assets	ets				
	Share capital	Exchange translation	Statutory reserve	General Ioan Ioss reserve	Revenue general reserve	Total	Investments	Investments Fixed / non- banking assets	Total	Unappropriated profit	Sub Total	Non- Controlling Interest	Total
-							Rupees in '000						
Balances as at December 31, 2016 - as previously reported	21,275,131	6,226,174	27,283,563	27,283,563 12,000,000	521,338	46,031,075				55,795,352	123,101,558	737,972	123,839,530
Impact of restatement							33,117,837	33,117,837 23,181,299 56,299,136	56,299,136		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	12,000,000	521,338	46,031,075	33,117,837	33,117,837 23,181,299 56,299,136	56,299,136	55,795,352	179,400,694	737,972	180,138,666
Profit difer taxation for the year ended December 31, 2017 Other comprehensive income - net of tax Transfer to statutory reserve		1,553,454	- - 2,302,799			1,553,454 2,302,799	- -	(7,605,970) 1,047,510 (6,558,460)	(6,558,460)	23,180,529 (2,755,579) (2,302,799)	23,180,529 (7,760,585)	165,333 - -	23,345,862 (7,760,585)
iransier iron surpus on revaluation of assets to unappropriated profit - net of tax								(108,241)	(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) Cash dividend and A and A and A	-									(15,956,351)	(15,956,351)		(15,956,351)
by subsidiaries												(91,878)	(91,878)



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Balance as at December 31, 2017 - restated	21,275,131	7,779,628	7,779,628 29,586,362 12,000,000	12,000,000	521,338	49,887,328	25,511,867 24,120,568 49,632,435	68 49,632,435	58,069,393	178,864,287	811,427	811,427 179,675,714
Profit after taxation for the year ended December 31, 2018 Other comprehensive income - net of tax Transfer to statutory reserve Transfer from surplus on revaluation of assets to unappropriated profit- net of tax		1,553,803 -	2,001,512			1,553,803 2,001,512	(10,362,093) 20,094,664 9,732,57 . (102,829) (102,825	,094,664 9,732,571 	19,913,104 155,785 (2,001,512) 102,829	19,913,104 11,442,159 -	122,196 - -	20,035,300 11,442,159
Transactions with owners, recorded directly in equity												
Cash dividend (Rs. Nil per share) Cash dividend paid / profit distribution by subsidiaries											-	-
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	33 59,262,177	76,239,599	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.	annexures   an	d II form an in	itegral part of	these consoli	dated finar	icial statements						

**lind Imran Malik** Director

**1mad Na**€ Direct-

A. Akbar Sharifzad

Abdul Wahid Sethi Chief Financial Officer

Arif Usma



# Consolidated Cash Flow Statement For the year ended December 31, 2018

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2017 US Dolle	2018 ars in '000	Note	2018 Rupe	2017 ees 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 32	11,205,488	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)	<u>66,344,347</u> 324,230,779	(321,200)
(4,697,421)	2,334,915	Increase/ (decrease) in operating liabilities	324,230,779	(652,292,831)
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
(00)	(120)		(10.212)	(10.017)
(89) (97,084)	(139) (73,020)	Financial charges paid Income tax paid	(19,313) (10,139,762)	(12,317) (13,481,233)
(25,475)	(20,149)	Benefits paid	(10, 137, 702) (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)
(	.,			(/··-/
1 (00 00 (	10 000 0011	CASH FLOW FROM INVESTING ACTIVITIES		00/ /07 000
1,632,034	(3,922,331)	Net investments in available-for-sale securities	(544,662,351)	226,627,322
286,571 25,431	49,214 18,030	Net investments in held-to-maturity securities Dividends received	6,834,009 2,503,711	39,793,816 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) / genereated 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	Increases in cash and cash equivalents	61 464 122	20 265 125
1,060,551	1,206,491	Increase in cash and cash equivalents Cash and cash equivalents at beginning of the year	61,464,133 167,535,611	20,265,435 147,270,176
1,206,489	1,649,119	Cash and cash equivalents at end of the year 36	228,999,744	167,535,611
1,200,407			220, / / / / 44	

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

Arif Usmani

Abdul Wahid Sethi Chief Financial Office

A. Akbar Sharifzada Muhammad Naeem

Directo

Muhammad Imran Malik Directo

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

THE GROUP AND ITS OPERATIONS 1.

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

### Subsidiary Companies

- CJSC Subsidiary Bank of NBP in Kazakhstan
- CJSC Subsidiary Bank of NBP in Tajikistan
- NBP Exchange Company Limited, Pakistan
- National Bank Modaraba Management Company Limite
- First National Bank Modaraba, Pakistan
- Taurus Securities Limited, Pakistan
- NBP Fund Management Limited, Pakistan
- Cast-N-Link Products Limited (Note 10.15.1)

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 Tajikstan 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.



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	Percento	ige Holding
	2018	2017
	%	%
	100.00	100.00
	100.00	100.00
	100.00	100.00
ted, Pakistan	100.00	100.00
	30.00	30.00
	58.32	58.32
	54.00	54.00
	76.51	76.51

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### 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;

		Turne of Fund
	NIAFA lasana Oranaturity Eurol	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

### BASIS OF CONSOLIDATION 1.2

- companies together "the Group".
- the control is lost.
- sive income from the effective date of acquisition.
- owned by holding company.
- Material intra-group balances and transactions have been eliminated.

### BASIS OF PRESENTATION 2.

2.1 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 rate as on December 31, 2018.

### STATEMENT OF COMPLIANCE 3.

- 3.1 applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of
  - notified under the Companies Act, 2017;
  - the Companies Act, 2017;

  - Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.
- 3.2 requirements of various circulars issued by the SBP.
- 3.3 mutual funds established under Trust structure.



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The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary

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 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 comprehen-

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

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

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

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as

International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as

Islamic Financial Accounting Standards (IFAS), issued by Institute of Chartered Accountants of Pakistan as notified under

- 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

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

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

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

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

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 Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates	Effective date is deferred indefinitely earlier adoption is permitted
and Joint Ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement 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,	January 01, 2019
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 Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business' 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	January 01, 2020 January 01, 2020
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

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 roviow

### **BASIS OF MEASUREMENT** Δ.

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.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 5.

The accounting policy adapted 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.

### **Business Combination** 5.1

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.

### Goodwill 5.2

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.



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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.

### Cash and cash equivalents 5.3

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 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 vield 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

### Derivative financial instruments 5.6

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

- Property and equipment 5.9.1
- 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.

- reserve relating to a previous revaluation of that asset.
- charge for the year is taken to the profit and loss account; and
- tion charge for the year.
- directly to unappropriated profit.



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- 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

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation

- 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 deprecia-

On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred

### 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 charaed 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 ljarah (as lessor)

Assets leased out under 'ljarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under ljarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ljarah, 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 charaed 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.

### Non-banking assets acquired in satisfaction of claims 5.11

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 arrangments 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 deductable 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



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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.

### Net investment in lease finance 5.16

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 Foreian 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 augrantee denominated in foreign currencies are expressed in Ruppe terms at the rates of exchange ruling on the consolidated financial position date.

### Provision for off balance sheet obligations 5 18

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.

### Dividend and other appropriations 5.21

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

### **Related party transactions** 5.23

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 seaments**

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

- commercial customers
- funding activities with professional market counterparties.
- outside of Pakistan.
- seament.

# Geographical segments

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

- 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 polices. 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 guarterly 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.

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'



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1. Commercial and Retail Banking consists of loans, deposits and other banking services to individuals, agriculture, consumers, SME and

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

IV. International Banking is considered as a separate segment for monitoring and reporting purpose and consists of the Bank's operations

V. Aitemaad Islamic Banking; for monitoring and reporting purpose Islamic Banking has also been reported separately as a separate business

VI. Head Office / Others includes corporate items and business results not shown separately in one of the above segment.

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

# 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.

# a) 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 emboying 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.

### CHANGE IN ACCOUNTING POLICY 6.

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 c	it December 31,	2017	As at	December 31,	2016
	As previously reported	Restatement	As restated	As previously reported	Restatement	As restated
			Rupee	s 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
				2	018	2017
				Note	Rupees in	'000
CASH AND BALANCES	WITH TREASU					

### CASH AND BALANCES WITH TREASURY BANKS 7.

In hand

Local currency Foreign currency

With State Bank of Pakistan in

Local currency current account Foreign currency current account Foreign currency deposit account Foreign currency collection account

# With other central banks in

Foreign currency current account Foreign currency deposit account

### Prize bonds

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

7.2



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er 31, 1	2017	As at [	December 31, 2	2016
nent	As restated	As previously	Restatement	As restated
		reported		
	Rupee	s in '000		

	2018	2017
Note	Rupee	es in '000
	39,696,873	29,201,212
	4,661,530	3,775,134
	44,358,402	32,976,346
7.1	130,186,419	89,111,057
7.2	7,029,780	4,872,088
7.2	21,240,971	14,580,863
	1,812,339	933,308
	160,269,509	109,497,316
7.3	41,438,832	17,019,562
7.3	1,455,866	587,511
	42,894,698	17,607,073
	394,812	324,348
	247,917,421	160,405,083

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



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8.

# 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 Rupee	2017 s in '000
BALANCES WITH OTHER BANKS In Pakistan In current account In deposit account	8.1	25,813 155,631 181,444	7,444 3,195,723 3,203,167
Outside Pakistan In current account In deposit account	8.2	7,107,914 5,760,367 12,868,281 13,049,725	7,838,280 15,950,832 23,789,112 26,992,279

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). 8.1

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% 8.2 per annum).

			2018	2017
9.	LENDINGS TO FINANCIAL INSTITUTIONS	Note	Rupe	es in '000
	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

This includes zero rate lendings to a financial institution Rs. 40.8 million (2017: Rs. 40.8 million) which is guaranteed by the SBP. 9.1

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.

- This represents Bai Muajjal agreement entered into with SBP and carries mark-up rate of 6.33% per annum. 9.3
- 9.4 These are overdue placements and full provision has been made against these placements as at December 31, 2018.

9.5	Particulars of lending	ote	2018 Rupee	2017 es in '000
	In local currency In foreign currencies	_	106,567,817 - 106,567,817	27,092,263
9.6	Movement in provision held against lendings is as follows:			
	Opening balance Charge for the year Others Closing balance	-	176,150 - - 176,150	173,500 - 2,650 176,150

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

Securities held as collateral against lending to financial institutions 9.7

	2018			2017	
Held by	Further given	Total	Held by	Further given	Total
Bank	as collateral		Bank	as collateral	
		Rupee:	s in '000		
70,283,168	-	70,283,168	21,873,963	-	21,873,963
26,450,000	-	26,450,000	3,500,000	-	3,500,000
96,733,168	-	96,733,168	25,373,963	-	25,373,963
	Bank 70,283,168 26,450,000	Held by Bank         Further given as collateral           70,283,168         -           26,450,000         -	Held by Bank         Further given as collateral         Total           70,283,168         -         70,283,168           26,450,000         -         26,450,000	Held by Bank         Further given as collateral         Total         Held by Bank           Rupees         in '000           70,283,168         -         70,283,168         21,873,963           26,450,000         -         26,450,000         3,500,000	Held by BankFurther given as collateralTotalHeld by BankFurther given as collateralRupeesin '00070,283,168 26,450,000-70,283,168 26,450,00021,873,963 3,500,000-

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

Category of classification 9.8

### Domestic

Other assets especially mentioned Substandard Doubtful Loss

# Overseas

Not past due but impaired Overdue by: Upto 90 days 91 to 180 days 181 to 365 days > 365 days

Total



2	018	20	17
Classified	Provision	Classified	Provision
Lending	held	Lending	held
	Rupees	in '000 ·····	
-	-	-	-
-	-	-	-
-	-	-	-
176,150	176,150	176,150	176,150
176,150	176,150	176,150	176,150
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-			
-	-		-
176,150	176,150	176,150	176,150
	Classified Lending - - - 176,150 176,150 - - - - - - - - - -	Lending held Rupees   	Classified         Provision         Classified           Lending         held         Lending           Rupees         in '000           -         -           -         -           -         -           176,150         176,150           176,150         176,150           176,150         176,150           176,150         176,150           176,150         176,150           176,150         176,150           176,150         176,150           176,150         176,150           176,150         176,150           176,150         176,150           176,150         176,150

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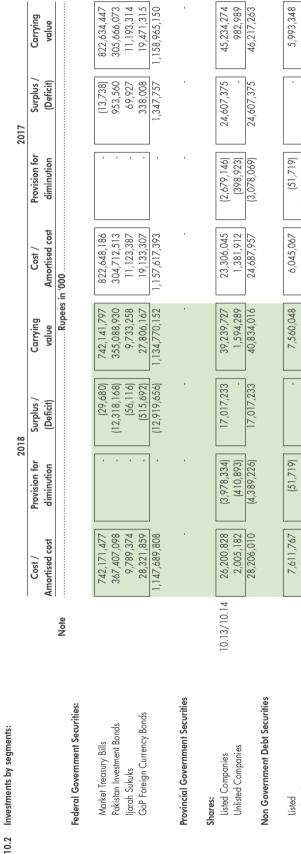
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INVESTMENTS

ments hv ľ 10. 10.1

Investments by type:	Hold for traditor socurities	Market Treasury Bills Pakistan Investment Bonds Ordinarry shares of listed companies Investment In mutual funds Foreign Government Securities	Avaitanie-tor-sale securities Market Treasury Bills Pakistan Investment Bonds Ijarah Sukuks Ordinary shares of listed companies Preference shares	lerm Friance Certificates / Musinarika and Sukuk Bonds GaP Foreign Currency Bonds Foreign Government Securities Foreign Currency Debt Securities Investments in mutual funds Ordinarv shares of a bank outside Pakistan	Held-to-maturity securities Market Treasury Bills	Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds Foreign Government Securities				
	Note		10.13/10.14	2.01				10.9/10.10	10.12 10.15	
	Cost / Amortised cost	149,885,647 2,333,574 158,277 158,277 971,052 153,753,297	592,215,863 207,581,489 9,789,374 26,042,551 2,005,182 570,535	58,787,773 25,462,626 968,567 1,551,903 819,646 463,295	926,258,804 69,967	157,492,035 696,956 2,859,233 25,866,066	186,984,789	1,190,599	4,543,339 1,245	1 272 732 074
2018	Provision for diminution		- - (3,978,334) [410,893] [433,444]	(4,761,669) - - (40,642) -	(9,624,982)	- (412,384) - -	(412,384)	(626,069)	- (1,245)	(10.664.680)
18	Surplus / (Defici†)	(973) (67) 197 (21,181) -	(12,318,101) (12,318,101) (56,116) 17,017,036	2,264,936 (515,692) (148,117) (94,3405 1,248,405	22,929,135		].			22.907.111
	Carrying value Amo Rupees in '000.	149,884,674 2,333,507 158,474 313,474 971,052 153,731,274	592,187,156 195,263,388 9,733,258 39,081,253 1,594,289 1,594,289	56,291,040 24,946,934 820,450 1,457,561 2,027,408 16,034,284	939,562,957 69,967	157,492,035 284,572 2,859,233 25,866,066 532	186,572,405	564,531	4,543,339 -	1.284.974.506
	Cost / Amortised cost in '000	683,941,098 2,638,247 67,244 316,131	138,558,842 132,597,777 11,123,387 23,238,801 1,381,912 556,944	53,541,406 16,823,587 548,752 1,612,104 1,149,646 463,295	381,596,453 148,246	169,476,489 710,713 2,309,720 21,173,206 21,173,206	193,818,798	1,227,086	4,966,604 1,245	1.268.572.906
	Provision for diminution	· · · · · · · · · · · · · · · · · · ·	- - (2,679,146) (398,923) (433,444)	(5,925,187) - - (36,001)	(9,472,701)	- (424,833) - -	(424,833)	(622,531)	- (1,245)	(10.521.310)
2017	Surplus / (Deficit)	(12,065) (1,764) 156 23,990 -	(1,673) 955,324 69,927 24,607,219 -	58,364 338,008 (178) 17,814 1,591,407 10,843,713	38,475,151		] '			38.485.468
	Carrying value	683,929,033 2,636,483 67,400 340,121 -	138,557,169 133,553,101 11,193,314 45,166,874 982,989 118,726	47,674,583 17,161,595 548,574 1,629,918 2,705,052 11,307,008	410,598,903 148,246	169,476,489 - 285,880 2,309,720 21,173,206 21,173,206	193,393,965	604,555	4,966,604 -	1.296.537.064

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





Unlisted	51,872,962	(5,122,334)	2,264,936	49,015,564	48,207,052	(6,298,301)	58,364	41,967,115
Foreign Securities	59,484,729	(5,174,053)	2,264,936	56,575,612	54,252,119	(6,350,020)	58,364	47,960,463
Foreign Government Securities Foreign Currency Debt Securities	27,805,685 1,552,435 29,358,120	· · ·	(148,117) (94,342) (242,259)	27,657,568 1,458,093 29,115,661	21,721,958 1,612,528 23,334,486	· · · ·	(178) 17,814 17,636	21,721,780 1,630,342 23,352,122
Preference shares	570,535	(433,444)	(11,155)	125,936	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
Ordinary shares of a bank outside Pakistan 10.7	463,295		15,570,989	16,034,284	463,295		10,843,713	11,307,008
Associates -Listed								
First Credit and Investment Bank Limited Land Mark Spinning Mills Limited S.G. Fibres Limited Nina Industries Limited Agritech Limited NAFA Stock Fund 10.9	208,760 39,710 218,534 49,060 434,010 950,074	(106,429) (39,710) (218,534) (49,060) - - (413,733)	· · · · · · · · · · · · · · · · · · ·	102,331 - - - 434,010 - 536,341	205,974 39,710 218,534 49,060 473,284 986,562	(106,430) (39,710) (218,534) (49,060) - -		99,544  473,284 - 572,828



Unlisted	Pakistan Emerging Venture Limited National Fructose Company Limited National Assets Insurance Company Limited Dadabhoy Energy Supply Company Limited Pakistan Mercantile Exchange Limited	<b>Joint Venture</b> United National Bank Limited Subsciencies	Cast-N-Link Products Limited	Total Investments	10.2.1 Investments given as collateral	Pakistan Investment Bonds Market Treasury Bills
Note	10.11	10.12	10.15			
Cost / Amortised cost	50,565 6,500 44,815 32,105 106,539 240,524 1,190,599	4,543,339	1,245	1,272,732,074		
Provision for diminution	(50,565) (6,500) (16,627) (32,105) (106,539) (212,336) (224,069)		(1,245)	(10,664,680)		
Surplus / (Deficit)				22,907,111		
Carrying value Rupees	28,188 28,188 28,188 564,531 564,531	4,543,339		1,284,974,506		
rrying Cost / alue Amorrised cost Rupees in '000	50,565 6,500 44,815 32,105 105 105 240,524 1,227,086	4,966,604	1,245	1,268,572,906		
Provision for diminution	(50,565) (6,500) (16,627) (103,005) (103,005) (103,007) (622,531)		(1,245)	(10,521,310)		
Surplus / (Deficit)				38,485,468	2018 Rupees	9,500,000 274,350,000 283,850,000
Carrying value	28,188 28,188 3,539 31,727 604,555	4,966,604		1,296,537,064	8 2017 Rupees in '000	7,70,000

intend		Number of	Percentage of	Country of	Based on the financial	Assets	Liabilities	Revenue	Profit / (loss) after	Total
differentiation         Address         Modiling         interaction         atomic and interaction	comprehensive									
off Interface         2,000,000         30.7         Relation         June 30, 2018         1,327,332         05,113         102,649         9,190           rest limited         17,030,231         20,19         Patistion         June 30, 2018         1,327,342         05,113         102,649         9,190           rest limited         3,754,900         25,3         Patistion         June 30, 2018         3,75,54         4,30,276         4,168         (5,596)           sinted         4,906,000         35,3         Patistion         June 30, 2018         3,75,44         4,307,579         4,306,779         (5,596)         (1,778,166)         (1,778		shares	holding	incorporation	statements as at				taxation	income
Inversiment Bank Limited         20000000         30.77         Paiston         June 30, 2018         1,327,322         005,113         102,649         9,100           Limited         17,300,231         2019         Paiston         June 30, 2018         1,37,332         2039,102         -         <	10.2.2 Associates Listed									
Limited         17,00,231         2019         Petisien	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
ming Mill Limited         3970,659         3.279         Petaism         June 30, 2018         175,734         430,276         4,108         5,536           esses timited         4,066,000         23,03         Petaism         June 30, 2018         577,344         430,276         4,108         5,536          mited         4,066,000         23,03         Petaism         June 30, 2018         15,24,508         43,407,929         6,536         5,338          mited         106,014,565         23,03         Petaism         June 30, 2018         15,524,508         43,407,929         8,238,581         2330,823         2330,823         2338         2308,951,41         (1778,166)	National Fibres Limited	17,030,231	20.19	Pakistan		•	•			
resea limited 3,754,900 25.03 Pekisten June 30, 2018 577,584 430,276 4,166 [5,599] Limited 4,00,000 2022 Pekisten June 30, 2018 15,224,508 4,3497,929 8,238,583 [2,308,925] [2,3 ad 10,014,545 2,695 Pekisten June 30, 2018 15,524,508 2,43,692 [1,286,014] [1,778,166] [1,7 ing Ventue Limited 1,300,000 33.33 Pekisten June 30, 2018 1,5,24,508 3,45 (1,286,014] [1,778,166] [1,7 Fund Management 3,333 2,33 Pekisten June 30, 2018 1,5,24,508 4,3,67 (1,286,014] [1,778,166] [1,7 se Compony Limited 1,300,000 33.33 Pekisten June 30, 2018 1,5,24,508 4,407,929 8,236,583 [2,306,925] [2,3 se Compony Limited 1,300,000 33.33 Pekisten June 30, 2018 1,3,67 (2,50 se Limited 1,300,000 33.33 Pekisten June 30, 2018 1,3,67 (2,51 (2,7) 7,65 se Limited 1,1000 20,3 Pekisten June 31, 2017 6,35,98 4,051 (2,7) 7,65 se Limited 1,1000 20,3 Pekisten June 30, 2018 2,343,392 (4,61 (2,7) 7,65 and Perioten Vinited 2,500,000 21,12 Pekisten June 30, 2018 2,343,392 (2,31,17 (2,53) (2,1) 1 and Fectuarge Limited 2,500,00 20,00 Pekisten June 30, 2018 2,343,392 (2,31,107 (2,4,608 (4,1,113 (4,1,11	Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2018	176,793	239,102		(56,526)	53,209
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2018	577,584	430,276	4,168	(5,598)	7,688
d         106,014,565         26,56         Reisinn         December 31, 2018         1,524,508         2,497,929         8,238,583         (2,308,925)         (2,308,925)         (2,308,925)         (2,308,925)         (2,308,925)         (2,308,925)         (2,308,925)         (2,308,925)         (2,308,925)         (2,308,925)         (2,308,925)         (1,778,166) </td <td>Nina Industries Limited</td> <td>4,906,000</td> <td>20.27</td> <td>Pakistan</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Nina Industries Limited	4,906,000	20.27	Pakistan						
nd         31,347,444         3.02         Pekisun         June 30,2018         15,224,508         240,568         (1,286,614)         (1/78,166)         (1/7           ing Venture limited         12,500,000         33.33         Pakisun         June 30,2018         1,369         345         (1,286,614)         (1/78,166)         (1/7           se Company Limited         17,300,000         39.33         Pakisun         -	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)
nig Venture limited         12,500,000         33.33         Poliston         Jane 30, 2018         1,369         345         .         (445)           see Company limited         1,300,000         39.50         Poliston         -	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)
ning Venture Limited       12,500,000       33.33       Polision       June 30, 2018       1,369       345       ·       (445)         see Company Limited       1,300,000       39.50       Polision       ·       ·       ·       (445)         Firud Management       3,333       33.33       Polision       ·       ·       ·       ·       ·       (445)         see timited       1,300,000       39.50       Polision       ·	Unlisted									
ses Company Limited       1,300,000       35.50       Pokisten       -	Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2018	1,369	345		(445)	(445)
Fund Management         33,33         Pakistan	National Fructose Company Limited	1,300,000	39.50	Pakistan						
ses Limited 11,000 20.37 Pakisan · · · · · · · · · · · · · · · · · · ·	Venture Capital Fund Management	33,333	33.33	Pakistan						
ies limited 37,500 32.05 Pekisten · · · · · · · · · · · · · · · · · · ·	Kamal Enterprises Limited	11,000	20.37	Pakistan						
s Insurance Company Limited 4,481,500 8.96 Pakistan December 31, 2017 6,5,298 4,051 32,177 7,665 7,665 ar Mills Limited 2,500,000 21.52 Pakistan	Mehran Industries Limited	37,500	32.05	Pakistan						
gar Mills limited       2,500,000       21.52       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
It Promotion Society       644,508       25.00       Pakistan       -	Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	ı	ı	·	·	·	
gy Supply Company limited       9,900,000       23.11       Pakistan       -	Youth Investment Promotion Society	644,508	25.00	Pakistan						
ted     5,000     20.00     Pakistan     -     -     -     -     -     -       cd     200,000     20.00     Pakistan     -     -     -     -     -     -     -       antile     200,000     20.00     Pakistan     -     -     -     -     -     -     -     -       infle     Exchange Limited     10,653,860     33.98     Pakistan     June 30,2018     2,343,392     2,381,107     264,608     41,113       i Management Limited     150,000     20.00     Pakistan     June 30,2018     2,343,392     2,381,107     264,608     41,113       i Management Limited     150,000     20.00     Pakistan     June 30,2018     2,343,392     2,381,107     264,608     41,113       i Management Limited     150,000     20.00     Pakistan     June 30,2018     88,385,262     75,810,898     2,048,169     (72,553)     (2,19	Dadabhoy Energy Supply Company Limited	000'006'6	23.11	Pakistan						
d 200,000 20.00 Pakistan	K-Agricole Limited	5,000	20.00	Pakistan						
nrife Exchange Limited 10,653,860 33.98 Pakistan June 30, 2018 2,343,392 2,381,107 264,608 41,113 I.Management Limited 150,000 20.00 Pakistan	New Pak Limited	200,000	20.00	Pakistan						
d Management Limited 150,000 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
al Bank Limited 20,250,000 45.00 United Kingdom December 31,2018 88,385,262 75,810,898 2,048,169 [742,553]	Prudential Fund Management Limited	150,000	20.00	Pakistan						
ral Bank Limited 20,250,000 45.00 United Kingdom December 31, 2018 88,385,262 75,810,898 2,048,169 (742,553)	10.2.3 Joint Venture									
10 0 4 6.1.1.11.1.1	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 Surbsidiarias									



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76.51

1,245,000

Cast-N-Link Pr



10.3 <b>P</b> rovision for diminution in value of investments	2018 Rupees	2017 ; in '000
Opening balance Exchange adjustments	10,521,310	14,467,703
Charge / reversals Charge for the year Reversals for the year	1,514,109 (1,370,739) 143,370	704,177 (3,281,087) (2,576,910)
Transfers - net Other transfers Others Closing Balance	- - - - - -	(1,004,153) (5,643) (359,687) 10,521,310

# 10.3.1 Particulars of provision against debt securities Category of classification

	20	018	20	17
	NPI	Provision	NPI	Provision
		Rupees	s in '000	
Domestic				
Other assets especially mentioned		-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	5,182,817	5,174,053	6,417,651	6,350,020
	5,182,817	5,174,053	6,417,651	6,350,020
Overseas				
Not past due but impaired		-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days		-	-	-
	-	-	-	-
Total	5,182,817	5,174,053	6,417,651	6,350,020

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

10.4

	Opening			Dividend	Share of profit /	Exchange	Surplus (deficit)	Surplus (deficit)	Closing
	balance	Addition	Disposal	paid	(loss) for the year - net of tax	transalation reserve	on revaluation properties	on revaluation securities	balance
]					Rupees in '000	000			
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
II									
Pakistan Emerging Venture Limited	50,565								50,565
National Fructose Company Limited	6,500								6,500
National Assets Insurance Company	44,815								44,815
Dadabhoy Energy Supply Company Limited	32,105								32,105
Pakistan Mercantile Exchange Limited	106,539								106,539
First Credit and Investment Bank Limited	205,974				3,915			(1,130)	208,760
Land Mark Spining Mills Limited	39,710								39,710
	218,534								218,534
	49,060						,		49,060
									•
	473,284				(39,274)				434,010
	1.227.086				(35,359)			(1,130)	1.190.599



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	Opening			Dividend	Share of profit /	Exchange	Surplus (deficit)	Surplus (deficit)	Closing
	balance	Addition	Disposal	baid	(loss) tor the year - net of tax	transalation reserve	on revaluation properties	on revaluation securities	balance
				-	Rupees in '000	000			
Joint Venture United National Bank Limited	4,306,138			(134,870)	1,709	415,500		378,128	4,966,604
	4,306,138		.	(134,870)	1,709	415,500		378,128	4,966,604
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
Dadabhoy 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 Spining 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

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

Quality of Available for Sale Securities 10.5

Details regarding quality of available for sale securities are as follows

Federal Government Securities - Government guaranteed

Market Treasury Bills Pakistan Investment Bonds Ijarah Sukuks

# Shares

Listed Companies sector-wise Automobile Assembler Automobile Parts & Accessories Cable and Electrical Goods Cement Chemical Commercial Banks Engineering Fertilizer Food and Personal Care Glass and Ceramics Insurance Investment Banks / Investment companies / Securities companies Leasing Companies Leather and Tanneries Miscellaneous Modarabas Oil and Gas Exploration Companies Oil and Gas Marketing Companies Paper and Board Pharmaceuticals Power Generation and Distribution Real Estate Investment Trust Refinery Sugar and Allied Industries Synthetic and Rayon Technology and Communication Textile Composite Textile Spinning Transport Vanaspati and Allied Industries Woolen



2018	2017
Rupees in '000	
Cost	

592,215,863	138,558,842
207,581,489	132,597,777
9,789,374	11,123,387
809,586,726	282,280,006
78,753	-
848,644	723,006
235,374	95,324
1,976,437	892,657
297,650	332,023
2,915,297	2,343,998
680,678	346,353
1,716,509	1,534,852
1,347,825	1,315,825
73,016	109,674
1,015,885	930,801
223,376	188,340
21,891	21,891
215,712	215,712
86,486	86,486
120	120
520,332	594,591
5,794,620	5,871,570
299,373	250,446
465,244	378,855
2,791,685	2,934,944
583,581	577,163
1,253,494	1,276,375
288,527	288,527
91,980	91,980
950,961	950,961
690,218	503,771
514,186	349,525
32,385	32,385
31,665	-
647	647
26,042,551	23,238,801



	2	2018	20	017
	Cost	Breakup value	Cost	Breakup value
Unlisted Companies		Rupees	in '000	
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	4,000	25,540	4,000	23,340
(Face value: Rs.1,000 each)	5,500	109,831	5,500	109,831
Resources and Engineering Management	5,500	107,001	0,000	107,001
Corporation (Private) Limited		(484,696)	-	(484,696)
Sigma Knitting Mills (Private) Limited		(404,070)		(404,070)
Al Ameen Textile	328	(0,773) N/A	328	(0,773) N/A
Al Zamin Modarba Management (Private) Limited	1,000	2,134	1,000	2,134
ANZ Venture Limited Class A	122	2,134 N/A	1,000	2,134 N/A
Arabian Sea Country Club	6,500	N/A	6,500	N/A
Arabian Sea Country Club Atlas Power Limited	375,000	822,501	375,000	805,365
Attock Textile Mills Limited	200	(1,412)	200	
	200		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

# **Unlisted Companies**

Newyork Poly Clinic of Karachi Nowshehra Engineering Works Limited Pakistan Export Finance Guarantee Agency Limited Pakistan Paper Corporation Limited Pakistan Telephone Cables Pakistan Textile City Pakistan Tourism Development Corporation People Steel Mills Limited Qadri Textile Mills Limited Rehman Cotton Mills Limited Rishabh Metals & Chemicals Private Limited Rousch Power Pakistan Limited Ruby Rice and General Mills Limited Sahrish Textile Mills Shoaib Capital SME Bank Limited South Asia Regional Fund Star Salica Industries Limited Syed Match Ind. Transmobile Limited Union Insurance Company of Pakistan Unity Modaraba Zafar Textiles Mills Limited Zulsham Engineering Works Limited Information System Associates Limited 1 Link (Guarantee) Ltd

# **Debt Securities**

Listed

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



	2	018	20	017
	Cost	Breakup value	Cost	Breakup value
		Rupees	in '000	
	-	(241)	-	(241)
	41	N/A	41	N/A
	11,529	1,152	11,529	1,152
	373	N/A	373	N/A
	143	N/A	143	N/A
	100,000	12,410	100,000	21,800
	100	24,983	100	24,983
	3,276	N/A	3,276	N/A
	500	N/A	500	N/A
	16,958	107,895	16,958	107,895
	4,589	N/A	4,589	N/A
	132,888	1,175,636	132,888	1,754,374
	750	N/A	750	N/A
	21	N/A	21	N/A
	272	544	272	544
	26,950	(318)	26,950	(318)
	287	N/A	287	N/A
	267	N/A	267	N/A
	2	N/A	2	N/A
	-	(44)	-	(44)
	4	N/A	4	N/A
	28	N/A	28	N/A
	257	N/A	257	N/A
	330	N/A	330	N/A
	1,719	N/A	1,719	N/A
	50,000	N/A	-	N/A
	2,005,182		1,381,912	
-				

8 2017 Rupees in '000

2018

1,897,847	2,232,310
4,472,877	2,072,442
419,073	419,161
9,326,145	12,731,877
16,115,942	17,455,790



			2018	2017
			Rupees	in '000
			Cost	
Jnlisted				
ААА			5,805,117	6,004,045
A+, A, A-			495,299	324,782
Unrated			36,371,414	29,756,789
			42,671,831	36,085,616
	20	18	2	017
	Cost	Rating	Cost	Rating
		-	s in '000	
oreign Securities				
Government Securities				
JSA	968,567	AA+	548,752	AA+
		20	018 Rupees in	2017
			Kupees in Cost	000
			COSI	
Ion Government Debt Securities				
Ion Government Debt Securities				
Ion Government Debt Securities isted				
		1,	551,903	1,612,104
isted	are as follows:	1,	551,903	1,612,104
<b>isted</b> BBB+, BBB, BBB-		1,	551,903	1,612,104
isted BBB+, BBB, BBB- articulars relating to Held to Maturity securities Gederal Government Securities - Government gu		<u>1,</u>		
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Federal Government Securities - Government gu Market Treasury Bills			69,967	148,246
isted BBB+, BBB, BBB- articulars relating to Held to Maturity securities Gederal Government Securities - Government gu		157,	69,967 492,035	148,246 169,476,489
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Federal Government Securities - Government gu Market Treasury Bills		157,	69,967	148,246 169,476,489
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Federal Government Securities - Government gu Market Treasury Bills		157,	69,967 492,035	1,612,104 148,246 169,476,489 169,624,735
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Pederal Government Securities - Government gu Market Treasury Bills Pakistan Investment Bonds		157,	69,967 492,035	148,246 169,476,489
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Federal Government Securities - Government gu Market Treasury Bills Takistan Investment Bonds		157,	69,967 492,035	148,246 169,476,489
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Federal Government Securities - Government gu Market Treasury Bills akistan Investment Bonds Debt securities isted AA+, AA, AA-		157,	69,967 492,035 562,002	148,246 169,476,489 169,624,735
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Pederal Government Securities - Government gu Market Treasury Bills Pakistan Investment Bonds Debt securities isted		157,	69,967 492,035 562,002	148,246 169,476,489 169,624,735
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Federal Government Securities - Government gu Market Treasury Bills akistan Investment Bonds Debt securities isted AA+, AA, AA-		<u>157,</u> <u>157</u> ,	69,967 492,035 562,002	148,246 169,476,489 169,624,735
isted BBB+, BBB, BBB- Particulars relating to Held to Maturity securities Pederal Government Securities - Government gu Market Treasury Bills Pakistan Investment Bonds Debt securities Isted AA+, AA, AA- Julisted		1 <i>57</i> ,	69,967 492,035 562,002 27,948	148,246 169,476,489 169,624,735 27,948

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

**Foreign Securities** 

**Government Securities** 

Azerbaijan Bangladesh Kyrgyzstan Kingdom of Saudi Arabia Tajikistan

Non Government Debt Securities

Listed

- Unrated

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.

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 Rs. 888 million).
- tion (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.

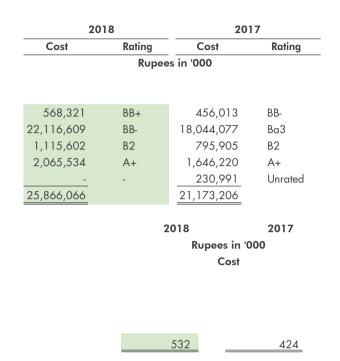
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10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 172,378 million (2017:

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.

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

10.10 Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corpora-

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

		Yeo	ar / Period ended	Break-up value
				Rupees in '000
	National Assets Insurance Limited	Decem	ber 31, 2017	55,682
	Pakistan Emerging Venture Limited	June	e 30, 2018	341
	Mehran Industries Limited	June	e 30, 2001	5,681
	Tharparkar Sugar Mills Limited	Septen	nber 30, 2001	(83,140)
	Prudential Fund Management	June	e 30, 2007	(2,482)
	Dadabhoy Energy Supply Company Limited	June	e 30, 2007	103,952
	Pakistan Mercantile Exchange Limited	Jun	e 30, 2018	(12,815)
			2018	2017
		Note	Rupee	es in '000
10.12	Investment in joint venture			
	United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	4,543,339	4,966,604

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.

10.15	Investments in subsidiaries	Note	2018 Rupees	2017 in '000
	Cast-N-Link Products Limited Less: provision for diminution in value of investments	10.15.1	1,245 (1,245)	1,245 (1,245)

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	Perf	Performing	Non Pe	Non Performing	-	Total
				2018	2017	2018	2017	2018	2017
						Rupees in '000	s in '000		
	- - -								
	Loans, cash credits, running tinances, etc.			8/9,848,042	04/,014,91/	128,004,393	710'701'011	1,007,913,034	813,107,429
	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		11.1	80,543	439,053	53,048	177,201	133,591	616,254
	Bills discounted and purchased			19,294,694	19,866,080	6,068,698	5,419,816	25,363,392	25,285,896
	Advances - gross		11.2	925,965,612	736,266,454	134,550,963	121,941,324	1,060,516,575	858,207,777
	Provision against advances								
	- Specific					126,969,680	111,347,775	126,969,680	111,347,775
	- General			7,207,106	6,515,067	•		7,207,106	6,515,068
			11.4	7,207,106	6,515,067	126,969,680	111,347,775	134,176,786	117,862,843
	Advances - net of provision			918,758,506	729,751,387	7,581,283	10,593,550	926,339,789	740,344,934
11.1	Net Investment in Finance Lease								
				2018				2017	
		Not later	Later than one			Not later	Later than one		
		than one	and less than	Over five years	Total	than one	and less than	Over five years	rs Total
		years	five years			years	five years		
					Rupees in '000	in '000			
	Lease rentals receivable	79,987	27,840		107,826	386,793	171,107		557,900
	Residual value	43,479	16,477		59,956	87,997	74,347		162,344
	Minimum lease payments	123,465	44,317	•	167,782	474,789	245,454	•	720,243
	Financial charges for future periods	31,680	2,510	•	34,190	88,992	14,997		103,989
	Present value of minimum lease payments	91,785	41,807	T	133,591	385,797	230,457	ı	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	osit is generally obta	ined upto 10% of th	ne cost of leased asse	ts at the time disburser	nent. The group requir	res the lessee to insure	e the leased assets in f	favour of the group.
	Additional surcharge is charged on delayed rentals. The average	e return implicit rang	jes from 10.19% to	14.47% (2017: 9.16	return implicit ranges from 10.19% to 14.47% (2017: 9.16% to 11.64%) per annum.	num.			
11.2	Particulars of advances (Gross)								
								2018 Runer	2017 Rupees in '000
	In local currency In foreign currencies							969,830,010 90.484.545	778,971,965 70 235 812
								1,060,516,575	858,207,777

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Fo	2017 Z017	Non Performing Loans		1 2 70 03 / 11 5 80	1,348,968	1,181,602	80,102,779 77,602,772 80,177 031	10,11,100		)e		143,759	31,012,202	111,347,775	31,	2017	General Total O	18	4,431,207 114,671,145 15,534 967,656	2	(490,644) [4,492,194] 2 068 327 1 244 608		- (2,981)	- - 1,004,153	- (44,875)	- 24,036 6,515,068 117,862,843	2017	General Total	6,065,672 86,242,003	-
	2018	Provision	Rupees in '000	61 513			86,856,965 81 88 523 540 81		•				38,080,551 3 38,436,130 3				Specific	in '000	110,239,938		[823 719]		(2,981)	- 1,004,153	(44,875)	24,036 111,347,775		Specific	-	31,171,444
l below:	2	Non Performing Loans		1 281 547	3,783,451	1 ,448, 149	88,113,131 04 626 200	74,020,277				733,217	39,191,446 39 924 663	134,550,963			Total	Rupees in '000	117,862,843 7 812 358	15,509,029	(0,/30,403) 8777565	(12,118)	(261,281)		' ( ; (	2,419 134,176,786		Total	95,482,801 80,176,33	38,693,982 134,174,784
been placed under non-performing status as detailed below:																2018	General		6,515,068 111 207	1,330,247	580 831	-				- 7,207,106	2018	General	6,949,252	257,851
aced under non-perforr																	Specific		111,347,775 7 701 151	14,178,781	8 191 734	(12,118)	(261,281)			2,419 126,969,680		Specific	88,533,549	38,436,131 126,060,680
Advances include Rs. 134,551 million (2017: Rs. 121,941 million) which have been pl	ition			Montioned	Weilloned				ed						n against advances		Note					11.5	11.4.1.3	22			n against advances			
11.3 Advances include Rs. 1	Category of Classification			Other Accels Economically Montioned	Orner Assels Especially Substandard	Doubtful	Loss	Overseas	Not past due but impaired	Overdue by:	Upto YU days 91 to 180 days	181 to 365 days	> 365 days	Total	11.4 Particulars of provision against advances				Opening balance Exchance actingments	Charge for the year	Keversals	Amounts written off	Amounts charged off - agriculture financing	Transfer to investments Transfer from investments	Other transfer	Other adjustments Closing balance	11.4.1 Particulars of provision against advances		In local currency	In foreign currencies

Notes to the Consolidated Financial Statements

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

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.

- prejudice the Bank's right of recovery from these customers.

11.5	Particulars of write-offs
11.5.1	Against provisions
11.5.2	Write Offs of Rs. 500,000 and above - Domestic - Overseas Write offs of below Rs. 500,000
11.6	DETAILS OF LOAN WRITE OFF OF Rs. 500,000/
	In terms of sub-section (3) of Section 33A of the Bank loans or any other financial relief of rupees five hund given in Annexure-II.(except where such disclosure is
12.	FIXED ASSETS
	Capital work-in-progress Property and equipment
12.1	Capital work-in-progress
	Civil works Equipment Advances to suppliers and contractors



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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.

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,

Note	2018 Ruped	2017 es in '000
11.5.2	<u>12,118</u> 12,118	<u> </u>
11.6	1,835	875
	10,283 12,118	24 899

# /- AND ABOVE

nking Companies Ordinance, 1962 the Statement in respect of written-off ndred thousand or above allowed to a person(s) during the year ended is is restricted by overseas regulatory authorities).

Note	2018 Rupee	2017 es in '000
12.1 12.2	1,934,605 52,404,071	1,823,691 30,848,109
	54,338,676	32,671,800
	1,863,208	1,757,201
	15,884	19,468
	55,513	47,022
	1,934,605	1,823,691

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z rroperty and equipment							2018	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~					
	Freehold	Leasehold	Building	Building	Furniture	Computer	Electrical,		Assets held	Assets held under	Assets held	Assets held	Total
	land	land	on Freehold	on Leasehold	and	and peripheral	office	Vehicles	under finance	finance lease -	under ljarah	under ljarah	
			land	land	fixture	equipment	equipment		lease - Vehicles	Office Equipment	- Machinery	- Vehicle	
							Rupees in '000						
At January 1, 2018													
Cost / revalued amount	11,209,212	10,380,661	3,038,553	2,924,333 4,455,020	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)	(467,128) (2,781,536)	(3,326,294)	(3,498,396)	(333, 163)	(204,088)	(821)	(174,502)	(366,319)	[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	939,428	3,425,617									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					(211)	(166)	92	(187)			81,154		80,776
Closing net book value	20,108,882	18,684,751	3,318,333	5,888,456	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	3,981,069	6,452,559 5,237,005	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)	(564,104) (3,395,037)	(3,764,282)	(4,014,031)	(467,014)	(1 99,608)	(1,413)	(40,566)	(275,974)	[13,384,765]
Net book value	20,108,882	18,684,751	3,318,333	5,888,456	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071

Rate of depr

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

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

						2017							
	Freehold	Leasehold	Building	Building	Furniture	Computer	Electrical,		Assets held	Assets held under	<ul> <li>Assets held</li> </ul>	Assets held	Total
	land	land	on Freehold	on Leasehold	and	and peripheral	office	Vehicles	under finance	finance lease -	under ljarah	under ljarah	
			land	land	fixture	equipment	equipment		lease - Vehicles	Office Equipment	- Machinery	- Vehicle	
							Rupees in '000						
At January 1, 2017													
Cost / revalued amount	11,209,437	10,377,666	3,018,670	2,843,073 3,889,350	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)	2,216,427	(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	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)	(006)	(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)				(012)	(4,218)	(3,647)	(012,710)	(411)		81,153	(686)	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	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)	2,781,536)	(3,326,294)	(3,498,396)	(333, 163)	(204,088)	(821)	(174,502)	(366,319)	(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)	Ξ	ĨŻ	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 21	25% to 33% on cost	20% on book value	

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

During the year ended December 31, 2018, land and buildiing were revalued having orignal 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 valautions and were carried by RBS associates Private Limited (PBA registerd 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	Original Cost	Book	Sale	Gain / Loss	Mode Of Disposal	Particulars O	f Purchaser
and Equipment	-	Value	Proceed	on disposal	-		
			Rupees i	n '000			
	1 570	01.4	01.4			<b>F</b> 1	
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
/ehicles	1,673	1,087	1,087	-	As Per Entitlement	Ex-employee	Muhammad Ramzan Balo
/ehicles	1,658	884	884	-	As Per Entitlement	Ex-employee	M Khurram Khawaj
Vehicles	1,658	829	829	-	As Per Entitlement	Ex-employee	Yasir Ishaq Ansari
/ehicles	1,673	1,227	1,227	-	As Per Entitlement	Ex-employee	Taslim Haider
/ehicles	1,572	314	314	-	As Per Entitlement	Ex-employee	Riffat Sultana Mugh
/ehicles	1,572	183	183	-	As Per Entitlement	Ex-employee	M.Rashid Ghani
/ehicles	1,658	884	884	-	As Per Entitlement	Ex-employee	Muhammad Iftikhar
/ehicles	1,858	1,207	1,207	-	As Per Entitlement	Ex-employee	Mehmood Siddiqui
/ehicles	1,557	467	467	_	As Per Entitlement	Ex-employee	Shahid Razzak
/ehicles					As Per Entitlement		Mudassir H Khan
	5,106	2,127	2,127	-		Ex-employee	
/ehicles	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 Ahm
Vehicles	21,800	14,533	14,533	-	As Per Entitlement	Ex-president	Ahmed Iqbal Ashra
_	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 Kh
Furniture And Fixtures	150	24	24	_	As Per Entitlement	Ex-employee	Rao Abdul Ghaffar Kh
Furniture And Fixtures	150	3	3	-	As Per Entitlement	Ex-employee	Muhammad Bashir
			60	-			
Furniture And Fixtures	150	60		-	As Per Entitlement	Ex-employee	Muddasir Hamid
urniture And Fixtures	150	46	46	-	As Per Entitlement	Ex-employee	Shafqat Hussain Qure
urniture And Fixtures	150	43	43	-	As Per Entitlement	Ex-employee	Tariq Javed Cheem
urniture 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 Ahme
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 Mirzo
<sup>E</sup> urniture 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 Bala
Furniture And Fixtures	150	45	45	-	As Per Entitlement	Ex-employee	Muneer Ahmed Sale
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 Mem
	125		10	-	As Per Entitlement		Ghulam Shabbir
urniture And Fixtures		11 67		-		Ex-employee	
urniture And Fixtures	175		67	-	As Per Entitlement	Ex-employee	Anwar Ahmed Siddi
urniture And Fixtures	150	3	3	-	As Per Entitlement	Ex-employee	Sheikh Muhammad Sul
urniture And Fixtures	125	22	22	-	As Per Entitlement	Ex-employee	Muhammad Bashir
urniture And Fixtures	175	38	38	-	As Per Entitlement	Ex-employee	M.Rashid Ghani
urniture And Fixtures	175	48	48	-	As Per Entitlement	Ex-employee	Shahid Ahmed
urniture And Fixtures	125	12	12	-	As Per Entitlement	Ex-employee	Late Mazhar Ali Abb
urniture And Fixtures	150	23	23	-	As Per Entitlement	Ex-employee	Zahiruddin Babar
urniture And Fixtures	175	10	10	-	As Per Entitlement	Ex-employee	Ch. Aijaz Hussain
urniture And Fixtures	150	17	17	-	As Per Entitlement	Ex-employee	Faraz Ahmed
urniture And Fixtures	150	21	21	-	As Per Entitlement	Ex-employee	Abdul Razzaq
urniture And Fixtures	175	9	9	_	As Per Entitlement	Ex-employee	Abdul Mannan
urniture And Fixtures	150	33	33		As Per Entitlement	Ex-employee	Muhammad Shafic
				-	As Per Entitlement		
urniture And Fixtures	150	34	34	-		Ex-employee	Basharat Javed Chee Javed Ehsan
urniture And Fixtures	150	21	21	-	As Per Entitlement	Ex-employee	• • • • • • • • • • • • • • • • • • • •
urniture And Fixtures	150	10	10	-	As Per Entitlement	Ex-employee	Muhammad Abdul Qayy
urniture And Fixtures	150	8	8	-	As Per Entitlement	Ex-employee	Riaz Hussain Shah
urniture And Fixtures	150	20	20	-	As Per Entitlement	Ex-employee	Muhammad Arif You
urniture And Fixtures	150	8	8	-	As Per Entitlement	Ex-Employee	Muhammad Iqbal I
urniture And Fixtures	150	9	9	-	As Per Entitlement	Ex-employee	Manzoor Ahmed
urniture And Fixtures	150	23	23	-	As Per Entitlement	Ex-employee	Muhammad Naeem Ak
urniture And Fixtures	175	83	83	-	As Per Entitlement	Ex-employee	Muhammad Khalic
Furniture And Fixtures	150	21	21	-	As Per Entitlement	Ex-employee	Syed Nazir Hussain Sh
-						. /	
	6,700	1,177	1,177	-			



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	riginal Cost	Book	Sale		Mode Of Dispos	alParticulars (	Of Purchaser
and Equipment		Value	Proceed	on disposal			
			Rupees i	n '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 Qadi
Office Equipment	100	79	79	-	As Per Entitlement	Ex-employee	Muhammad Asim Akhta
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 Mohyeddi
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 Ahme
Office Equipment	15	3	3	-	As Per Entitlement	Ex-employee	S Hassan Mustufa Naqv
Electrical Installations	800	440	440	-	As Per Entitlement	Ex-employee	Zahid Mehmood Chaudr
Office Equipment	90	49	49	-	As Per Entitlement	Ex-employee	Zahid Mehmood Chaudr
	1,629	683	683	-			
Computer & Peripheral Equipment	s 99	0	10	10	As Per Entitlement	Employee	Muhammad Faroog
Computer & Peripheral Equipment		0	10	10	As Per Entitlement	Employee	Yousf Ismail
Computer & Peripheral Equipment	• • • •	0	10	10	As Per Entitlement	Employee	Abdul Rahim Haroor
Computer & Peripheral Equipment		0	0	10	As Per Entitlement	Ex-employee	Muhammad Ehsan Qadi
Computer & Peripheral Equipment		56	56	_	As Per Entitlement	Ex-employee	Azmat Moiz
Computer & Peripheral Equipment		55	55	-	As Per Entitlement	Ex-employee	Muhammad Ramzan Baloc
Computer & Peripheral Equipment		45	45	-	As Per Entitlement	Ex-employee	M Khurram Khawaja
Computer & Peripheral Equipment		-0		-	As Per Entitlement	Ex-employee	Taslim Haider
Computer & Peripheral Equipment		136	136	-	As Per Entitlement	Ex-employee	Mahmood Siddiqui
Computer & Peripheral Equipment		0	0	-	As Per Entitlement	Ex-employee	Imran Jafri
Computer & Peripheral Equipment		4	4	-	As Per Entitlement	Ex-employee	Umair laved
Computer & Peripheral Equipment		- 0	- 0	-	As Per Entitlement	Ex-employee	Zahid Mehmood Chaudi
Computer & Peripheral Equipment		16	16	-	As Per Entitlement	Ex-employee	Zahid Mehmood Chaudi
	1,905	312	342	30			

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

# 13. INTANGIBLE ASSETS

13.1

Core	Computer		Goodwill on		
Banking Application	software		Acquisition	Others	Total
		Rupees in '	000		
0.010.050	505 (1)	1.0.41	155 141	4 77 4	1 170 500
2,913,933	393,010	1,041	033,140	4,//4	4,170,53
12 61 1 3251	(300 302)	(1.041)	102 5031	(2 7/2)	(3,020,093
		- (1,041)			1,150,43
277,020	200,224			2,002	1,100,40
299,628	286,224	-	562,553	2,032	1,150,43
-	27,896	-	-	-	27,89
(186,602)	(138,078)		-	-	(324,680
-	4,470	-	-	-	4,47
	(1.000)				11.000
-		-	540 550		(1,223
113,027	1/9,289	-	502,553	2,032	856,90
2 012 052	627 081	1.041	655 146	1 771	4,202,89
2,713,733	027,701	1,041	035,140	4,//4	4,202,07
(2 800 926)	(448 693)	(1.041)	(92 593)	(2 742)	(3,345,993
		-			856,90
,	,		/	_/	
33.33 % on	33.33 % on	33.33 % on	Nil	Nil	
cost	cost	cost			
3 years	3 years	3 years			
		2017			
	•				
•	software	Website	NBP Fund Acquisition	Others	Total
		Rupees in	'000		
2 303 106	526 039	1.041	655 176	1 771	3,490,19
2,303,170	520,057	1,041	055,140	4,774	5,470,17
(1.770.753)	(172.879)	(1.041)	(92,593)	(2.742)	(2,040,008
		-	,		1,450,18
,	,		,	,	, ,
532,443	353,160	-	562,553	2,032	1,450,18
			562,553	2,032	
608,726	60,564	-	562,553	2,032	669,29
608,726 (843,572)	60,564 (128,894)	-	562,553	2,032	669,29 (972,466
608,726	60,564 (128,894) 9,012		562,553	2,032	669,29 (972,460 11,04
608,726 (843,572) 2,031	60,564 (128,894) 9,012 (7,619)		·	- - - -	669,29 (972,466 11,04 (7,619
608,726 (843,572)	60,564 (128,894) 9,012	- - -	562,553	2,032	1,450,18 669,29 (972,466 11,04 (7,619 1,150,43
608,726 (843,572) 2,031 - 299,628	60,564 (128,894) 9,012 (7,619) 286,224	-	562,553	2,032	669,29 (972,466 11,04 (7,619 1,150,43
608,726 (843,572) 2,031	60,564 (128,894) 9,012 (7,619)	- - - - 1,041	·	- - - -	669,29 (972,466 11,04 (7,619
608,726 (843,572) 2,031 - 299,628 2,913,953	60,564 (128,894) 9,012 (7,619) 286,224 595,616		562,553 655,146	2,032	669,29 (972,466 11,04 (7,619 1,150,43 4,170,53
608,726 (843,572) 2,031 - - 299,628 2,913,953 (2,614,325)	60,564 (128,894) 9,012 (7,619) 286,224 595,616 (309,392)	- - - 1,041 (1,041)	562,553 655,146 (92,593)	2,032 4,774 (2,742)	669,29 (972,466 11,04 (7,619 1,150,43 4,170,53 (3,020,093
608,726 (843,572) 2,031 - 299,628 2,913,953	60,564 (128,894) 9,012 (7,619) 286,224 595,616		562,553 655,146	2,032	669,29 (972,466 11,04 (7,619 1,150,43 4,170,53
608,726 (843,572) 2,031 299,628 2,913,953 [2,614,325] 299,628	60,564 (128,894) 9,012 [7,619] 286,224 595,616 [309,392] 286,224	(1,041)	562,553 655,146 [92,593] 562,553	2,032 4,774 [2,742] 2,032	669,29 (972,460 11,04 (7,619 1,150,43 4,170,53 (3,020,093
608,726 (843,572) 2,031 - - 299,628 2,913,953 (2,614,325)	60,564 (128,894) 9,012 (7,619) 286,224 595,616 (309,392)		562,553 655,146 (92,593)	2,032 4,774 (2,742)	669,29 (972,460 11,04 (7,619 1,150,43 4,170,53 (3,020,093
	Banking Application 2,913,953 (2,614,325) 299,628 299,628 (186,602) - - 113,027 2,913,953 (2,800,926) 113,027 33.33 % on cost	Banking Application         software           2,913,953         595,616           (2,614,325)         (309,392)           299,628         286,224           299,628         286,224           (186,602)         (138,078)           (186,602)         (138,078)           113,027         179,289           2,913,953         627,981           (2,800,926)         (448,693)           113,027         179,289           33.33 % on         cost           3 years         3 years           3 years         3 years           2,303,196         526,039           (1,770,753)         (172,879)	Core Banking Application         Computer software         Website           2,913,953         595,616         1,041           (2,614,325)         (309,392)         (1,041)           (2,614,325)         (309,392)         (1,041)           299,628         286,224         -           299,628         286,224         -           -         27,896         -           (186,602)         (138,078)         -           -         (1,223)         -           -         (1,223)         -           2,913,953         627,981         1,041           (2,800,926)         (448,693)         (1,041)           113,027         179,289         -           33.33 % on         33.33 % on         cost           cost         cost         cost           3 years         3 years         3 years           3 years         3 years         3 years           3 years         3 years         3 years           2,303,196         526,039         1,041           (1,770,753)         (172,879)         (1,041)	Core Banking Application         Computer software         Website         Goodwill on NBP Fund Acquisition           2,913,953         595,616         1,041         655,146           (2,614,325)         (309,392)         (1,041)         (92,593)           299,628         286,224         -         562,553           299,628         286,224         -         562,553           (186,602)         (138,078)         -         -           -         (1,223)         -         -           -         (1,223)         -         -           -         (1,223)         -         -           -         (1,223)         -         -           -         (1,223)         -         -           -         (1,223)         -         -           -         (1,223)         -         -           -         (1,223)         -         -           2,913,953         627,981         1,041         655,146           (2,800,926)         (448,693)         (1,041)         (92,593)           113,027         179,289         -         562,553           33,33 % on         33,33 % on         33.33 % on         33.33 % on	Banking Application         software         Website         NBP Fund Acquisition         Others           2,913,953         595,616         1,041         655,146         4,774           (2,614,325)         (309,392)         (1,041)         (92,593)         (2,742)           299,628         286,224         -         562,553         2,032           299,628         286,224         -         562,553         2,032           299,628         286,224         -         562,553         2,032           299,628         286,224         -         562,553         2,032           299,628         286,224         -         -         -           (186,602)         (138,078)         -         -         -           113,027         179,289         -         562,553         2,032           2,913,953         627,981         1,041         655,146         4,774           (2,800,926)         (448,693)         (1,041)         (92,593)         (2,742)           113,027         179,289         -         562,553         2,032           33.33 % on         33.33 % on         33.33 % on         Nil         Nil           cost         cost         cost

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.



### 14. DEFERRED TAX

DEFERRED TAX	2018				
	At January, 1 2018	Recognised in profit and	Recognised in other comprehensive	At December 31, 2018	
		loss account	income		
		Rupees	s 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)	

	20	17	
At January, 1 2017	Recognised in profit and	Recognised in other comprehensive	At December 31, 2017
	loss account	income	
	Rupee:	s in '000 ·····	

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# 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	-	
- Excess of accounting book value of leased assets				
over lease liabilities	(85)	3,957		
- Surplus on revaluation of investments	(17,094,125)		4,589,196	
- Surplus on revaluation of non-banking assets	(36,273)		(53,708)	
	(18,016,525)	515,342	4,535,488	
	5,172,496	(3.849.275)	6.019.261	

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

### OTHER ASSETS 15.

15.1

15.2

15.3

15.4

(374,657)

(12,504,929)

(12,965,695) 7,342,482

(89,981)

3,872

Income / return / mark-up accrued in ocal currency Income / return / mark-up accrued in foreign currence Advances, deposits, advance rent and other prepaym Advance taxation (payments less provisions) Income tax refunds receivable Compensation for delayed tax refunds Non-banking assets acquired in satisfaction of claims Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC) Branch adjustment account Unrealized gain on forward foreign exchange contra Commission receivable on Government. treasury tran Stationery and stamps on hand Barter trade balances Receivable on account of Government transactions Receivable from Government under VHS scheme Receivable against sale / purchase of shares Receivable against sale of foreign currencies Receivable from Pakistan Stock Exchange Receivable from mutual funds Acceptances Others Less: Provision held against other assets Other assets (net of provision) (Deficit) / surplus on revaluation of non-banking asset satisfaction of claims Other assets - total This includes Rs. 4,644 million (2017: Rs. 1,650 million) advance against Pre-IPO placement of Term Finance Certificates. 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. 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. Market value of Non-banking assets acquired in satis An independent valuation of the group's non-banking assets were performed by an independent professional valuer to



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ANNUAL F

		2018	2017
	Note	Rupee	es in '000
<b>f</b>			~~ ~~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~
- net of provision		31,164,399	22,558,331
ю		2,481,428	1,877,582
ments	15.1	7,239,676	4,123,761
		11,879,329	12,346,521
		45,531,634	26,214,948
		8,082,559	5,626,385
IS	15.4	3,796,527	2,779,193
		228,483	228,484
		-	2,208,794
acts		6,929,960	1,276,403
nsactions		4,627,921	4,897,834
		381,722	295,520
		195,399	195,399
	15.2	323,172	323,172
	15.3	418,834	418,834
		580,632	737,405
		160,496	144,776
		127,579	134,917
		674,504	679,176
		45,884,978	135,435,471
		8,394,868	4,309,372
		179,104,100	226,812,278
	15.5	8,884,661	8,772,698
		170,219,439	218,039,580
ets acquired in			
		(201,867)	1,052,107
		170,017,572	219,091,687

	2018	2017
	Rupe	es in '000
isfaction of claims	3,594,660	3,831,300

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 pannel of valuers. The valuation conforms to International Valuation Standards.

		2018 Rupee	2017 s in '000
15.4.1	Non-banking assets acquired in satisfaction of claims		
	Opening Balance Revaluation Depreciation Disposals Closing Balance	3,831,300 (201,867) (34,773) - 3,594,660	2,769,018 1,143,793 (30,251) (51,260) 3,831,300
15.4.2	Gain on disposal of non-banking assets acquired in satisfaction of claims		
	Disposal Proceeds less:	-	51,259
	- Cost - Impairment / depreciation	-	51,259
	Gain	-	51,259
15.5	Provision held against other assets		
	Income / mark-up accrued in local currency Advances, deposits, advance rent and other prepayments Stationery and stamps on hand Barter trade balances Receivable on account of Government transactions Receivable from Government under VHS scheme Protested bills Compensation claimed by SBP due to delay in settlement of Goverment transactions Provision against FE-25 loans Ex-MBL / NDFC - other assets Assets acquired from CIRC Others	152,607 837,949 96,542 195,399 323,172 418,834 2,405,688 - 1,734,591 534,173 228,484 1,957,221 8,884,661	152,607 837,949 96,542 195,399 323,172 418,834 1,989,978 2,281,289 - 534,173 228,484 1,714,271 8,772,698
15.5.1	Movement in provision held against other assets		
	Opening balance Charge for the year Transfer in Adjustment of compensation claimed by SBP to SBP balances Amount Written off Others Closing balance	8,772,698 2,289,554 - (2,174,278) (3,314) - 8,884,661	6,446,438 1,483,220 850,000 - (1,594) (5,366) 8,772,698
16.	BILLS PAYABLE		
	In Pakistan Outside Pakistan	9,838,706 105,472 9,944,178	12,994,410 200,645 13,195,055

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

### BORROWINGS 17.

Secured
Borrowings from State Bank of Pakistan
Under Export Refinance Scheme
Under Export Refinance Scheme (New Sch

eme) Refinance Facility for Modernization of SMEs Financing Facility for storage of Agriculture Produce (FFSAP) Under Long-Term Financing Facility (LTFF)

Repurchase agreement borrowings Bai Muajjal **Total secured** 

# Unsecured

Call borrowings Overdrawn nostro accounts Bai Muajjal Others - SBP Liabilities on Bangladesh borrowings Total unsecured

Particulars of borrowings with respect to currencies 17.1

> In local currency In foreign currencies

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

- (2017: 3.0 % to 6.0 %).
- 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).



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2018 2017 Rupees in '000

1,553,200	4,355,000
15,711,423	10,755,737
-	4,500
222,727	325,649
5,418,613	3,152,418
22,905,963	18,593,304
278,631,608	320,039,019
45,954,085	-
347,491,656	338,632,323
36,400,855	14,500,608
3,807,347	6,901,943
5,039,538	-
-	70,800
45,247,740	21,473,351
392,739,396	360,105,674
356,338,554	356,354,012
36,400,842	3,751,662
392,739,396	360,105,674

- 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%

Repurchase agreement borrowings carry mark-up ranging from 8.4% to 10.16% per annum (2017: 5.7% to 5.85% per

### DEPOSITS AND OTHER ACCOUNTS 18.

		2018			2017	
-	In Local	In Foreign	Total	In Local	In Foreign	Total
	Currency	currencies		Currency	currencies	
-			Rupee	s 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
L	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

2017 Rupees in '000

2018

### 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

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

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

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

		2018			2017	
	Minimum	Financial	Principal	Minimum	Financial	Principal
	lease	charges for	outstanding	lease	charges for	outstanding
	payments	future periods	payments	future periods		
			Rupe	es 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

### OTHER LIABILITIES 20.

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

### Provision against contingencies 20.1 Opening balance Charge during the year Reclassification Closing balance

tions are in progress.

21. SHARE CAPITAL

# 21.1 Authorized Capital

21.2

Or	dinary	y shai	res

	2018 2017 Number of shares		2018 2017 Rupees in '000
	2,500,000,000 2,500,000,000	Ordinary shares of Rs. 10 each	25,000,000 25,000,000
.2	Issued, subscribed and paid up		
	2018 2017 Number of shares		2018 2017 Rupees in '000

The Federal Government and the SBP held 75.60% (2017: 75.60%) shares of the Bank.



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Note	2018 Bupo	2017 es in '000
Noie	Коре	
	31,324,102	20,693,083
	555,608	321,862
	643,869	132,755
	11,651,136	5,961,879
	370,498	279,509
	45,884,978	135,435,471
	188,868	163,549
	306,339	306,339
	5,864,695	-
	13,069,665	12,985,820
	15,371,225	14,342,369
	1,604,689	1,977,230
	1,881,355	1,581,200
	7,541,419	6,600,690
	371,257	371,257
	18,034,813	14,826,008
	627,494	627,494
20.1	3,734,889	3,634,889
	180,594	824
	190,335	772,923
	366,896	-
	11,997,194	10,344,240
	171,761,918	231,359,391
	3,634,889	3,546,841
20.1.1	100,000	380,343
	-	(292,295)
	3,734,889	3,634,889

20.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investiga



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

### RESERVES 22.

### Exchange translation reserve 22.1

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

2018

70,000

70,000

Number of shares

2017

70,000

70,000

# 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. 0010 0017

			2018	2017
		Note	Rupee	s in '000
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)
		L L	68,573,872	63,343,732
	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)
			(9,311,695)	(13,711,298)
			59,262,177	49,632,435
		i		
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)	-
	<ul> <li>incremental depreciation charged during the year</li> </ul>		55,369	58,283
			(2,588,785)	(1,116,388)
	Share of surplus on revaluation of fixed assets of associates and joint venture		401,899	401,899
			42,105,132	21,946,202

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

### Surplus on revaluation of non-banking assets 23.2

Surplus on revaluation as at January 1 Recognised during the year Realised on disposal during the year Surplus on revaluation as at December 31

Less: related deferred tax liability on: - revaluation as at January 1 - revaluation recognised during the year - surplus realised on disposal during the year

CONTINGENCIES AND COMMITMENTS 24. Guarantees Commitments Other contingent liabilities

24.1 Guarantees Financial guarantees Performance guarantees

# Commitments Documentary credits and short-term trade-related transactions

Letters of credit

24.2

Commitments in respect of: Forward foreign exchange contracts Forward government securities transactions

Commitments for acquisition of: Fixed assets Intangible assets

# Other commitments

24.2.1 Commitments in respect of forward foreign exchange contracts

Purchase Sale

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. 2017

24.2.2 Commitments in respect of forward government securities transa

Purchase Sale

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



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Note	2018 Rup	2017 ees in '000
	2,264,347	1,163,129
	(201,867)	1,143,791
	-	(42,573)
	2,062,480	2,264,347
	(89,981)	(36,273)
	34,773	-
	-	(53,708)
	(55,208)	(89,981)
	2,007,272	2,174,366
24.1	94,340,275	114,956,468
24.2	1,286,438,703	835,971,920
24.3	29,259,673	16,747,536
	1,410,038,651	967,675,925
	55,505,600	49,513,095
	38,834,676	65,443,373
	94,340,275	114,956,468
	716,304,478	418,493,125
24.2.1	512,873,075	345,224,842
24.2.2	56,816,129	71,404,111
	431,521	767,000 59,727
24.2.3	13,500	23,115
27.2.0	1,286,438,703	835,971,920
	, , , , , , , , , , , , , , , , , , , ,	
	312,710,160	202,309,263
	200,162,915	142,915,579
	512,873,075	345,224,842

	2018	2017
	Rup	ees in '000
actions		
	50,950,025	63,968,420
	5,866,104	7,435,691
	56,816,129	71,404,111



		2018 Rupe	2017 es 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 Group 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 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.



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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.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.



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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 auestion 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, Sukkar 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 For the year ended December 31, 2018

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 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.



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		Note	2018 Rupee	2017 s in '000
25.	MARK-UP / RETURN / INTEREST EARNED			
	Loans and advances Investments On securities purchased under resale agreements Balances with banks		69,413,234 76,346,868 3,666,797 751,279 150,178,178	55,079,085 66,484,934 1,153,465 <u>697,539</u> 123,415,023
26.	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits Borrowings Cost of foreign currency swaps against foreign currency deposits Securities sold under repurchase agreements		61,688,519 2,942,429 6,075,207 18,580,699 89,286,854	54,866,341 953,316 3,072,162 9,918,924 68,810,743
27.	FEE AND COMMISSION INCOME			
28.	Branch banking customer fees Consumer finance related fees Card related fees Credit related fees Investment banking fees Commission on trade Commission on guarantees Commission on guarantees Commission on cash management Commission on remittances including home remittances Commission on bancassurance Commission on bancassurance Commission on government transactions Management Fee & Sale Load Brokerage Income Others GAIN ON SECURITIES - NET	28.1	1,251,885 802,721 437,670 284,106 644,931 4,121,984 428,051 16,431 854,338 343,621 9,223,016 1,473,419 94,820 146,944 20,123,937	1,334,176 665,115 330,463 249,687 1,097,725 2,798,701 507,087 18,473 488,439 127,554 8,967,151 1,492,890 91,261 234,279 18,403,001
	Unrealised - held for trading	10.1	(22,024)	10,317
28.1	<b>Realised gain on:</b> Federal Government Securities Shares and mutual funds Ijarah Sukuks		3,940,977 513,577 3,362,184 87,240 3,963,001	6,517,542 2,877,699 3,613,765 15,761 6,507,225
29.	OTHER INCOME			
	Rent on property Gain on sale of fixed assets - net	29.1	51,761 138,248 2,456,174 - - 29,246 2,675,429	101,631 125,760 1,499,875 19,000 10,271 1,756,537

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

This represents compensation of delayed refunds determ
OPERATING EXPENSES
Total compensation expense
Property expense
Rent and taxes Insurance Utilities cost Security (including guards) Repair and maintenance (including janitorial charges) Depreciation Depreciation on non banking assets Depreciation on ljarah assets
Depreciation on Ilaran assess

# Information technology expenses

Software maintenance Hardware maintenance Depreciation Amortisation Others

29.1

30.

# Other operating expenses

Directors' fees and reimbursement of other expenses Directors' fees and allowances - Subsidaries Legal & professional charges Outsourced services costs Travelling and conveyance NIFT clearing charges Depreciation Training and development Postage and courier charges Communication Stationery and printing Marketing, advertisement & publicity Donations Contributions for other Corporate and Social Responsibility Auditors Remuneration Fixed Assets / Non-banking asset deficit Financial charges on leased assets Entertainment Clearing, verification, licence fee charges Subscription Brokerage Others



mined under Section 171 of Income Tax Ordinance 2001.

Note	2018 Rupee	2017 es in '000
	38,303,721	32,019,918
30.1	2,624,302 883,998 1,036,726	2,592,160 351,951 834,969
	2,352,104 1,546,983 205,165 34,770	2,296,590 1,529,645 236,918 30,251
	258,703 8,942,750	85,725 7,958,209
	617,945 23,412 443,035 324,680	670,879 29,145 368,607 972,466
	69,722 1,478,794	44,973 2,086,071
	29,918 4,455 528,080	24,413 6,588 826,049
30.2	783,669 1,001,243 152,937 1,512,509	752,512 801,103 126,147 1,524,268
	140,692 340,258 849,641	24,546 273,705 824,974
30.3 30.3	962,267 708,283 2,015 77,728	884,662 480,188 3,660 58,288
30.4	257,590 202,847 19,313	198,400 60,244 12,317
	210,409 294,790 1,872 89,105	161,632 294,673 2,495 167,476
	339,610 8,509,230 57,234,494	162,664 7,671,003 49,735,202

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 Rupees	2017 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	-
		1,000	1,860
	Contributions for Corporate & Social Responsibilities inlcude 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
		53,413	27,183

# 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.

30.4 Auditors' remuneration

> Audit fee Review of interim financial statements Fee for audit of domestic branches Fee for other statutory certifications Special certifications and sundry advisory services Tax services Sales Tax Out-of-pocket expenses

Fee for audit of overseas branches including advisory services and out-of-pocket expenses Fee for audit of subsidiaries including out-of-pocket expenses -

### OTHER CHARGES 31.

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

### 32. **PROVISIONS & WRITE OFFS - NET**

Provisions for diminution in value of investments Provisions against loans and advances Provision against other assets

### 33. TAXATION

Current Prior years Deferred

- Current taxation includes Rs. 519 million (2017: Rs. 82 million) of overseas branches. 33.1
- Relationship between tax expense and accounting profit 33.2

# Accounting profit before tax

Income tax at statutory rate @ 35% (2017: 35%) Super tax at statutory rate @ 4% (2017: Nil%) Prior year tax effects Others Tax charge for current and prior years



Total	Total	Grant Thornton	Deloitte
2017	2018		Yousuf
2017	2010	Anjum	
		Rahman	Adil
	n '000	Rupees i	
12,45	12,452	6,226	6,226
4,35	4,356	2,178	2,178
10,12	10,120	5,060	5,060
3,00	3,000	1,500	1,500
6,78	8,472	4,336	4,136
20,00	20,000	20,000	-
4,54	4,672	3,144	1,528
9,00	9,000	4,500	4,500
70,26	72,072	46,944	25,128
123,20	180,405		-
4,93	5,113	-	-
198,40	257,590	46,944	25,128

Note

### 2018 2017 Rupees in '000

	237,480	214,393
	8,517	91,664
	245,997	306,057
10.3	143,370	(2,576,910)
11.4	8,772,565	1,244,608
15.5.1	2,289,552	1,867,034
	11,205,488	534,732
	12,045,395	8,676,731
	(20,755,128)	271,652
	18,554,222	3,849,275
	9,844,489	12,797,658

### 2018 2017 Rupees in '000

29,879,789	36,143,520
10,457,926	12,650,232
1,187,335	-
(2,112,896)	271,652
312,123	(124,226)
9,844,489	12,797,658

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

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
		R	upees
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
<b>•</b> <i>i</i>		Rupee	es 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
37.	STAFF STRENGTH	Nu	umber
	Permanent	12,208	12,419
	On contract	4,668	4,171

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.

2018

2017

# 38.2 Number of Employees under the scheme

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

	Ν	lumber
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

mult         2013         2013         2014         2014           popolo to drime line         2013         2014 <th>38.3</th> <th><b>Principal actuarial assumptions</b> The actuarial voluations were carried out as at December 31</th> <th>~</th> <th>2018 using the following significant assumptions:</th> <th>ant assumptions:</th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th>2018 Per a</th> <th>2017 Per annum</th>	38.3	<b>Principal actuarial assumptions</b> The actuarial voluations were carried out as at December 31	~	2018 using the following significant assumptions:	ant assumptions:								2018 Per a	2017 Per annum
Renetled real frequest from / product from		Discount rate Expected rate of return on plan assets Expected rate of salarry increase Expected rate of increase in pension Expected rate of increase in medical benefit											13.25% 13.25% 13.25% 8.75% 13.25%	9.50% 9.50% 9.50% 9.50%
Perior         Perior<	38.4	Reconciliation of (receivable from) / payable to de		S	2018						2017			
International control         Description         Descripion         Description <thdescription< t<="" th=""><th></th><th></th><th>Pension</th><th>Post retirement</th><th>Benevolent</th><th>Gratuity</th><th></th><th>Total</th><th>Pension</th><th>Post retirement</th><th>Benevolent</th><th>Gratuity</th><th>Compensated</th><th>Total</th></thdescription<>			Pension	Post retirement	Benevolent	Gratuity		Total	Pension	Post retirement	Benevolent	Gratuity	Compensated	Total
Preservice of objections: Hole of characteristic of the mean biolog Camporanistic of the mean of the me			1.1		ocueili			Rupees in '000			1.1	010	anselices	
Hold Generation (all Generation (all Generation)         Hold Generation (all Generation)         Hold Ge		Present value of obligations Eni value of alan assate	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419 87,3	-		14,342,369	1,977,230	1,467,310	6,600,690	82,339,463
Moment in direct beneficialized for state of the year o		Holding Company Subsidencies	13,069,665	15,371,225	1,604,689	1,730,265 151 090	7,541,419 39,3	티	,985,820 -	14,342,369	1,977,230	1,467,310	6,600,690	37,373,419 113,890
Obligation of the keyrining of the year         7/55/84         13/23/60         197/230         13/75/60         197/230         13/75/60         197/230         13/75/60         197/230         13/75/60         197/230         13/75/60         13/75/60         197/230         13/75/60         13/75/60         197/230         13/75/60 <t< th=""><th>38.5</th><th>Movement in defined benefit obligations</th><th>13,069,665</th><th>15,371,225</th><th>1,604,689</th><th>1,881,355</th><th>39</th><th></th><th>,985,820</th><th>14,342,369</th><th>1,977,230</th><th>1,581,200</th><th>6,600,690</th><th>37,487,309</th></t<>	38.5	Movement in defined benefit obligations	13,069,665	15,371,225	1,604,689	1,881,355	39		,985,820	14,342,369	1,977,230	1,581,200	6,600,690	37,487,309
Current service cols         1,20,50,4         40,1,4/4         0,30,1         1,1/0,7,30         1,2/3,50         4,2/3,56         1,0/4           Renth service cols         1,00,4/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30         1,00,7/30		Obligations at the beginning of the year	57,951,864	14,342,369	1,977,230	1,467,310	6,600,690 82,33			13,377,650	1,977,230	1,298,782	6,262,603	77,771,277
Benefits prol         (3)         <		Current service cost Interest cost	1,298,574 5,360,600	401,474 1,321,656	66,305 178,311	251,131 137,009	1,187,530 3,20 - 6,95			447,264 1,235,665	61,464 176,099	203,122 121,318	630,666 -	2,582,334 6,553,187
Offgerions or the beginning of the year         0.0064/052         15.371/253         1.004/056         7.541/19         87.332.234         87.951/644         1.4.242.059         1.977/200           Offgerions or the beginning of the year         0.0064/053         1.5.371/223         1.004/056         7.541/19         87.332.234         87.951/644         1.4.242.059         1.977/200           Norment in fir value of plon cases         4176.565         1.004/583         1.004/583         1.0175.001         1.4196.001         41.966.004         41.966.004         41.976.563         1.977/200		Benefits paid by the Bank	(3,048,981)	(860,398)	(200,539)	(50,210)	(246,800) (4,40			(741,292)	(247,110)	(43,503)	(292,579)	(5,348,095) 780 760
Normant in fair value of plan assets         Avenant in fair value of plan assets         44,966,044         44,966,044         44,996,186         -<		Obligations at the end of the year	61,084,925	15,371,225	1,604,689	1,730,265	419			14,342,369	1,977,230	1,467,310	6,600,690	82,339,463
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	38.6	Movement in fair value of plan assets												
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$		Fair value at the beginning of the year Interest income on plan assets	44,966,044 4,176,565				- 44,9		,999,186 ,136,051					44,999,186 4,136,051
Benefits poid on belief of fund measurements: Net neuron on dareases over interest moments: Net neuron open assets or induce at the end of the year         1,439,981         2,13,011         ·		Contribution by the Bank - net Benefits paid	1,044,583 (3,048,981)				- 1,0		,100,000 023,611)					1,100,000 (4,023,611)
own interest income gain / (lasi) $(562,932)$ $(562,932)$ $(562,932)$ $(562,932)$ $(562,932)$ $(562,932)$ $(185,593)$ $(185,593)$ $(185,593)$ $(187,593)$ $(187,593)$ $(187,593)$ $(187,593)$ $(147,64)$ $(118,733)$ $(1298,574)$ $(11,81,656)$ $(183,11)$ $(137,09)$ $(1239,818)$ $(447,264)$ $(1,187,530)$ $(239,818)$ $(447,264)$ $(1,148,052)$ $(118,135)$ $(118,132)$		Benefits paid on behalf of fund Re-measurements: Net return on plan assets	1,439,981				- 1,4;		,213,011					2,213,011
Charge for defined benefit plans         Charge for defined benefit plans $1,298,574$ $401,474$ $66,305$ $251,131$ $1,187,530$ $3205,014$ $1239,818$ $447,264$ $61,464$ Cost recognised in profit and lass $1,298,574$ $401,474$ $66,305$ $251,131$ $1,187,530$ $3205,014$ $1239,818$ $447,264$ $61,464$ Current service cost $1,184,035$ $1,321,656$ $173,310$ $2142,009$ $1723,302$ $2137,009$ $237,053$ <		over interest income gain / (loss) Fair value at the end of the year	(562,932) 48,015,260				- (56 48,01		458,593) ,966,044					(3,458,593) 44,966,044
Cost recognised in profit and loss         Cost recognised in profit and loss         Cost recognised in profit and loss $447,264$ $61,464$ Current service cost         1,298,574 $401,474$ $66,305$ $551,131$ $1,187,530$ $3.205014$ $84,054$ $447,264$ $61,464$ Net interest on defined brenth asset / liability $2,482,609$ $1,78,311$ $338,140$ $1,187,530$ $5,026,025$ $2,75,929$ $237,563$ Re-measurements recognised in OCI during the year $2,482,609$ $1,73,310$ $2,44,616$ $388,140$ $1,187,530$ $5,026,025$ $2,123,922$ $237,563$ $237,563$ Re-measurements recognised in OCI during the year $2,482,106$ $1,187,530$ $6,026,025$ $2,123,922$ $237,563$ $237,694$ $2,41,61,61$ $2,41,61,61$	38.7	Charge for defined benefit plans												
$ \begin{array}{c} \mbox{Current service ccst} \\ \mbox{Linerat on defined banefit asset / liability} \\ \mbox{Linerat asset / liability} \\ \mbox{Linerat on defined banefit asset / liability} \\ \mbox{Linerat asset on liability} \\ \mbox{Linerati asset / liability} \\ \mbox{Linerati asset one linerat income} \\ \mbox{Linerat one linerat income} \\ Linerati asset on$	38.7.1	Cost recognised in profit and loss												
Re-measurements recognised in OCI during the year           loss / Igain)         on obligation           Loss / Igain)         Demographic assumptions           Financial assumptions         5,800           Experience additishment         85,800           Return on plan assets over interest income         239,669           Balance         1,74,975           Return on plan assets over interest income         23,082           Balance         1,54,75           Return on plan assets over interest income         23,082           Balance         1,54,75           Balance         1,319,133           Balance         1,319,133           Balance         1,319,133           Balance         1,319,133           Balance         1,319,133         23,082           Balance         1,319,133         23,082		Current service cost Net interest on defined benefit asset / liability	1,298,574 1,184,035 2,482,609	401,474 1,321,656 1,723,130	66,305 178,311 244,616	251,131 137,009 388,140			,239,818 884,054 ,123,872	447,264 1,235,665 1,682,929	61,464 176,099 237,563	203,122 121,318 324,440	630,666 - 630,666	2,582,334 2,417,136 4,999,470
85,800 166,124 [416,618] [74,975] . [239,669] 4,319,133 23,082 9,547 85,800 166,124 [416,618] [74,975] . [239,669] 4,319,133 23,082 9,547	38.7.2	Re-measurements recognised in OCI during the yec	ar											
85,800 166,124 (416,618) [74,975] . [239,669] 4,319,133 23,082 9,547 85,800 166,124 (416,618) [74,975] . [239,669] 4,319,133 23,082 9,547		Loss / (gain) on obligation -Demographic assumptions												
85 800 166,124 [41,6,6]8 [74,975] . [239,669] 4,319,133 23,082 9,547		Financial assumptions Experience adjustment Return on plan assets over intenest income	- 85,800 -	- 166,124 -	- (416,618) -	(74,975)	- (23		,319,133 -	- 23,082 -	9,547 -	(112,409) -		4,239,353
		Total re-measurements recognised in OCI	85,800	166,124	(416,618)	[74,975]	- (23		,319,133	23,082	9,547	(112,409)		4,239,353



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

38.8	Components of plan assets	2018 Rupee	2017 s in '000
	Pakistan Investment Bonds Term Finance Certificates Mutual Funds / Shares Shares Term Deposit Receipts Defence Saving Certificates Special Saving Certificates Cash at Bank	268,527 104,000 5,421,318 6,371,337 11,182,753 6,491,911 17,716,001 459,413	1,144,751 101,436 12,836,495 - 9,892,631 6,884,201 13,583,880 522,650
		48,015,260	44,966,044

### Sensitivity analysis 38.9

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	Post	Benevolent	Gratuity	Compensate	d
		fund	retirement	Scheme	fund	absences	Total
			medical scheme				
				Rupee	s 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
8.10	Expected contributions to be paid	to the funds in	the next financial	year		_	1,288,715
8.11	Expected charge / (reversal) for t	he next financia	l year				7,403,818

Voors

# 38.12 Maturity profile

The weighted average duration of the obligation

11.00
8.36
6.13
6.91
8.38

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

# 38.13 Funding Policy

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

# Current Assets

Cash and cash equivalents - net Government Securities Shares Non-Government Debt Securities Mutual Funds

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.

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

Asset volatility obligation period	The risk arises when the future ea the of the current population. The co
Changes in bond yields	The risk arises when the actual retur
Inflation risk	The most common type of retiremen when the actual increases are highe
Life expectancy / Withdrawal rate	The risk arises when the actual lifeti over the entire retiree population. The a risk to the benefit obligation. The
Investment Risk	The risk arises when the actual performs shortfall in the funding objectives.

# DEFINED CONTRIBUTION PLAN

39.

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.



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459	0.90
24,476	50.97
6,371	13.27
11,287	23.57
5,421	11.29
48,014	100.00

Percentage

Rupees in '000

- earnings are lower than expectation. This risk is measured at a plan level over company assets are either invested in fixed securities or cash
- urn on plan assets is lower than expectation.
- ent benefit is one where the benefit is linked with last drawn salary. The risk arises her than expectation and impacts the liability accordingly.
- time of retirees is longer than expectation. This risk is measured at the plan level The risk of actual withdrawals varying with the actuarial assumptions can impose e movement of the liability can go either way.
- rformance of the investments is lower than expectation and thus creating a

### 40. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Pr	esident	Di	irectors	Exe	ecutives
	2018	2017	2018	2017	2018	2017
			Rupe	es in '000		
-			00.500	10.00/		
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
			Nur	nber		
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.

The above information does not include particulars of directors, chief executives and executives of subsidiaries.

### FAIR VALUE MEASUREMENTS 41.

The fair value of guoted securities other than those classified as held to maturity, is based on guoted 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.

### Fair value of financial assets 41.1

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 For the year ended December 31, 2018

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:

			2018		
	Carrying Value	Level 1	Level 2	Level 3	Total
			Rupees in '000		
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	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
	1,093,294,231	57,724,057	1,033,889,021	1,681,153	1,093,294,231
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	-		-	-
	1,650,288,579			-	-
	2,743,582,810	57,724,057	1,033,889,021	1,681,153	1,093,294,231
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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		2018		
le	Level 1	Level 2	Level 3	Total
		Rupees in '000		

			2017		
	Carrying Value	Level 1	Level 2	Level 3	Total
			···· Rupees in '000······		
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	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
	1,097,571,940	59,618,317	1,036,883,770	1,069,853	1,097,571,940
at fair value					
<b>at fair value</b> Cash and balances with treasury banks	160,405,083		-		
<b>at fair value</b> Cash and balances with treasury banks valances with other banks	26,992,279	-	-	-	
<b>at fair value</b> Cash and balances with treasury banks Balances with other banks ending to financial instruments		-	-		-
<b>at fair value</b> Cash and balances with treasury banks Balances with other banks ending to financial instruments nvestments	26,992,279 26,916,113		-		
at fair value Cash and balances with treasury banks Balances with other banks ending to financial instruments nvestments Market Treasury Bills	26,992,279 26,916,113 148,246	-	-		
at fair value Cash and balances with treasury banks talances with other banks ending to financial instruments nvestments Market Treasury Bills Pakistan Investment Bonds	26,992,279 26,916,113	-	- - - -		-
at fair value Cash and balances with treasury banks Balances with other banks ending to financial instruments nvestments Market Treasury Bills	26,992,279 26,916,113 148,246	-	- - -		
at fair value Cash and balances with treasury banks balances with other banks ending to financial instruments nvestments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	26,992,279 26,916,113 148,246 169,476,489	-			- - - - -
at fair value Cash and balances with treasury banks talances with other banks ending to financial instruments nvestments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds	26,992,279 26,916,113 148,246 169,476,489 285,880	-	- - - - - -		
at fair value Cash and balances with treasury banks Balances with other banks ending to financial instruments nvestments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds Foreign Government Securities	26,992,279 26,916,113 148,246 169,476,489 285,880 2,309,720	-			-
at fair value Cash and balances with treasury banks talances with other banks ending to financial instruments nvestments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds Foreign Government Securities Foreign Currency Debt Securities	26,992,279 26,916,113 148,246 169,476,489 285,880 2,309,720 21,173,206				-
at fair value Cash and balances with treasury banks Balances with other banks ending to financial instruments newstments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds Foreign Government Securities Foreign Currency Debt Securities Advances	26,992,279 26,916,113 148,246 169,476,489 285,880 2,309,720 21,173,206 424		- - - - - - - - - - - - - - - - - - -		-
at fair value Cash and balances with treasury banks Balances with other banks ending to financial instruments newstments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds Foreign Government Securities Foreign Currency Debt Securities Advances	26,992,279 26,916,113 148,246 169,476,489 285,880 2,309,720 21,173,206 424 740,344,934	-	- - - - - - - - - - - - - - - - - - -		-
at fair value Cash and balances with treasury banks balances with other banks ending to financial instruments newstments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds Foreign Government Securities Foreign Currency Debt Securities Valvances	26,992,279 26,916,113 148,246 169,476,489 285,880 2,309,720 21,173,206 424 740,344,934 219,091,687	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	1,097,571,940
at fair value Cash and balances with treasury banks balances with other banks ending to financial instruments nvestments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds Foreign Government Securities Foreign Currency Debt Securities Advances Other assets	26,992,279 26,916,113 148,246 169,476,489 285,880 2,309,720 21,173,206 424 740,344,934 219,091,687 1,367,144,061	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	1,097,571,940
Cash and balances with treasury banks Balances with other banks Lending to financial instruments Investments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term	26,992,279 26,916,113 148,246 169,476,489 285,880 2,309,720 21,173,206 424 740,344,934 219,091,687 1,367,144,061	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -
at fair value Cash and balances with treasury banks talances with other banks ending to financial instruments twestments Market Treasury Bills Pakistan Investment Bonds Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates GoP Foreign Currency Bonds Foreign Government Securities Foreign Currency Debt Securities Advances Dther assets	26,992,279 26,916,113 148,246 169,476,489 285,880 2,309,720 21,173,206 424 740,344,934 219,091,687 1,367,144,061	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	1,097,571,940

# 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

Market Treasury Bills Pakistan Investment Bonds ljarah Sukuks Ordinary shares of unlisted companies Term Finance Certificates / Musharika and Sukuk Bonds GoP Foreign Currency Bonds Foreign Government Securities Foreign Currency Debt Securities

### 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		
	<b>Carrying Value</b>	Level 1	Level 2	Level 3	Total
			Rupees in '000		
Land & building (property and equipment) Non-banking assets acquired in satisfaction	48,000,422		48,000,422		48,000,422
of claims	3,796,527		3,796,527		3,796,527
	51,796,949	-	51,796,949	-	51,796,949
			2017		
	Carrying Value	Level 1	Level 2	Level 3	Total
			Rupees in '000		
Land & building (property and equipment) Non-banking assets acquired in satisfaction	26,530,208		26,530,208		26,530,208
of claims	2,779,193		2,779,193		2,779,193
	29,309,401		29,309,401	-	29,309,401



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# Valuation approach and input used

PKRV (MUFAP) PKRV (MUFAP) MUFAP Breakup value as per latest available audited financial statements MUFAP Reuter page Reuter page Reuter page

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# 42.

Segment Details with respect 42.1

account
loss
and
Profit

t mark-up / return / profit er segment revenue - net in mark-up / return / interes al Income Vet | Non Total

ıment direct expenses r segment expense αllo il expenses ovisions ofit / (loss) before tax

# Statement of financial

Notes to the Consolidated Financial Statements

35,726,895 21,753,597 57,480,491 11,205,488 29,879,789

2,395,199 21,753,597 24,148,796 55,299 (11,962,216)

-2,267,040 87,201 (56,994)

3,365,678 -3,365,678 (730,549) 1,482,966

311,411 311,411 1,404,766 12,126,876

258,974 11,626,247 (5,701,750)

-27,128,593 (1,237,477) 33,990,908

258,974

27,128,593

2,267,040

260,967,146 1,284,974,506 1,400,487,097 106,391,667 925,965,612 134,550,963 (134,176,786) 926,339,789 225,213,148 4,204,373,353

2,367,105 65,509,075 65,509,075 79,158,614 2,650 11,739,346 53,017,880 (55,271,763] 9,485,463 130,461,368 286,984,275

4,655,330 23,914,372

54,739,132 55,950,776

78,372,622 1,139,600,282

189,794

120,643,163 -,321,328,484

104,971,318 17,990

1,417,699 26,741,353 364,825 (278,995) 26,827,183 2,142,202 58,956,786

46,230,666 39,181,569 (38,328,525) 47,083,710 3,904,176

500,111,019 22,069,620 (20,141,547) 502,039,092 502,039,092 552,960,699

341,125,237 19,917,069 (20,155,956) 340,886,350 28,212,221 1,811,070,218

17,990 9,761,367 1,332,723,580

392,739,396 2,011,312,625 1,400,487,097 1,400,487,097 3,993,312,940 3,993,312,955 3,903,312,955 4,204,373,353

80,291,002 81,795,282 205,188,993 286,984,275

51,022,237 6,079,071 1,146,690 58,247,998 708,789 58,956,786

36,400,842 104,127,206 20,257,431 1,650,467 162,435,945 (758,151) 161,677,794

969,156,574 24,212,749 1,326,801,914 5,921,665 1,332,723,580

552,960,699

,811,070,218

203,590,159

579,228,336

21,864,290 80,797,441 404,994,021 45,304,947 552,960,699

36,167,083 1,811,070,218

333,432,591

584,977 1,774,318,158

456,696 1,047,584

810,644,75

00,394

For the year ended December 31, 2018

60,891,324

Total

Head Office / Others

Aitemaad & Islamic Banking

Banking Rupees in '000...

2018

λiυ Treas

Corporate Banking

Commercial & Retail Banking

37,674,444 98,565,768

4,573,696 3,527,787 4,140,395 12,241,879

2,411,880 (457,595) 342,962 2,297,247

-1,463,209 4,118,094

51,121,992 (52,546,888) 15,267,949 13,843,053

26,991,390 (22,853,242) 2,045,323 6,183,471

(26,862,520) 72,329,938 14,414,607 59,882,025

2,654,886

Cash and bank balances segment
 to financ inter lings

Others Total Assets

quity **otal Equity & liabili** برامع posits & other ب t inter ه thers **tal liabilities** 

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

	,					
Commercial & Retail Banking	Corporate Banking	Treasury	International Banking	Aitemaad & Islamic Banking	Head Office / Others	Total
			Rupees in '000			
(21,960,393)	17,924,212	49,559,295	2,436,994	1,441,277	5,202,895	54,604,280
56,847,310	(13,064,754)	(42,235,043)		(287,673)	(1,259,840)	
13,152,946	1,352,972	12,126,878	1,393,465	291,633	3,797,336	32,115,231
48,039,862	6,212,430	19,451,129	3,830,459	1,445,237	7,740,392	86,719,511
26,098,606	249,817	270,122	3,366,455	1 ,673,000	2,345,695	34,003,696
					16,037,564	16,037,564
26,098,606	249,817	270,122	3,366,455	1 ,673,000	18,383,259	50,041,259
337,043	(372,676)	810,790	228,421		(468,847)	534,732
21,604,213	6,335,289	18,370,217	235,583	(227,763)	(10,174,021)	36,143,520
102,673,726 -	164,676 -	39,395,919 1.176.079.110	37,542,919 42.592.446	5,829,332 17.854.897	1,790,790 60.010.610	187,397,362 1.296.537.064
		1,176,079,110	42,592,446	17,854,897	60,010,610	1,296,537,064
1,110,546,153					93,124,076	1,203,670,229
		26,914,763			1,350	26,916,113
273,649,702	396,257,482	551,489	43,425,128	18,946,404	3,436,248	736,266,454
23,572,722	14,387,210		31,749,423	191,794	52,040,176	121,941,324
(21,666,832)	(11,049,034)		(31,260,949)	(191,794)	(53,694,233)	(117,862,842)
275,555,593	399,595,658	551,489	43,913,602	18,946,404	1,782,191	740,344,934
67,780,786	132,845,192	957,227	2,894,215	1,176,005	54,602,981	260,256,406
1,556,556,258	532,605,526	1,243,898,508	126,943,182	43,806,638	211,311,997	3,715,122,108
475,230	17,791,634	337,760,707	3,751,662		326,440	360,105,674
1,518,857,606	76,376,473		93,357,792	36,908,343	1,559,033	1,727,059,246
	306,777,774	862,380,188	27,956,592	6,555,675		1,203,670,229
37,223,421	131,659,646	16,609,598	1,461,273	250,696	57,406,610	244,611,245
1,556,556,258	532,605,526	1,216,750,494	126,527,320	43,714,714	59,292,083	3,535,446,394
		27,148,014	415,862	91,924	152,019,914	179,675,714
1,556,556,258	532,605,526	1,243,898,508	126,943,182	43,806,638	211,311,997	3,715,122,108
10 100 1 10	100 110 100		121 000 000		027 07 1	
3 14,225,04/	209 244 001		1 / V / V / N /		C./ V C)V	2.04 0 0 0 2.2.4

# rofit and loss account

Net mark-up / return / profit Inter segment revenue - net Non mark-up / return / interes Total Income

Segment direct expenses Inter segment expense alloc Total expenses 'rovisions 'rofit / (loss) before tax

Statement of financial

# SEGMENT INFORMATION



otal Equity & liabilities Cash and bank balances Investments Net inter segment lending Lendings to financial instit Advances - performing Advances - non-performin Provision against advance otal Assets

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Profit

t mark-up / return/profit er segment revenue - net n mark-up / return / inter

Segment direct expenses Inter segment expense alloc Total expenses

ofit / (loss) before tax

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Notes to the Consolidated Financial Statements

260,967,146 1,284,974,506 24,233,246 106,391,667 925,965,612 134,550,963 (134,176,786) 926,339,789 225,213,148 225,213,148

2,165,997 19,503,372 3,975,816

25,721,371 8,201,033

7,576,196

20,945,364 29,217,423

31,434,126 4,808,641 (3,818,940) 32,423,828 861,326 58,930,338

5,373,523 1,776,756 (1,781,391) 5,368,888 588,903 39,880,195

559,157 559,071 ,069,071 ,074,372] 553,857 112,792 8,242,845

9,079,486 32,270,195 (32,019,278) 9,330,403 2,557,375 62,050,564

204,558,218 1,228,052,678 20,257,430 106,391,667 879,519,319 94,626,300 (95,482,803) 876,62,816 221,092,757 2,659,015,567

392,739,396 2,011,312,625 24,233,246 188,772,946 2,617,061,294 2,110,01,292 2,828,119,502

-59,411,246 (480,908) 58,930,338

28,434,398 11,481,515 215,603 40,131,516 (251,321) 39,880,195

5,529,140 2,551,012 162,693 8,242,845

3,603,168 45,178,156 10,200,719 709,736 59,691,779 2,358,784 62,050,564

356,338,554 1,906,137,835 187,104,431 2,449,580,820 209,434,746 2,659,015,567

-8,242,845

,496,

782,918,889

32,797,674 26,033,097

310,644,7

106,

For the year ended December 31, 2018

35,726,895 21,753,597 57,480,491 11,205,488 29,879,789

-556,476 126,688 ,240,339

-912,033 (127,712) 135,518

-604,635 (181) (342,600)

-1,497,549 (738,013) 446,301

32,156,202 21,753,597 53,909,799 11,944,705 28,400,232

60,891,324

1,597,159

637,571

47,754

536,323

58,072,516

Total

Middle East

urope United States of America ...Rupees in '000.

Asia Pacific (including South Asia)

Pakistan

2018 Europe

37,674,444 98,565,768

326,344 ,923,503

282,268 919,839

-214,100 261,854

669,513 ,205,836

36,182,220 94,254,736

556,476

912,033

604,635

1,497,549

Cash and bank balances Investments Net inter segment lending Lendings to financial institu Advances - performing Advances - non-performing

)thers **otal Assets** 

quity **otal Equity & liabiliti**e rrowings posits & other acco t inter segment borr tal liabilities

encies & Con

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

Faktstan         Asia Pacine (including South Asia)           51,987,256         851,309           30,689,008         572,499           82,676,264         1,423,808           30,402,430         1,411,557           16,037,564         1,423,808           30,402,430         1,411,557           16,037,564         1,411,557           16,037,564         1,411,557           16,037,564         1,411,557           189,941,529         16,166,940           1,252,8123         16,166,940           1,252,8123         10,114,236           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,202,230           89,498,868         26,204,855		Europe Rupees. in '000 20,491 197,827 218,318 609,732	of America	Middle East	lotal
		es.in '000 20,491 - 218,318 218,318	500 50X		
		20,491 - 218,318 509,732	500 504		
		20,491 - - 218,318 509,732	500 506		
		- 197,827 218,318 509,732	010,700	1,235,628	54,604,280
		218,318 509,732	289,649	366,246	32,115,231
		509,732	799,245	1,601,874	86,719,511
			1,084,076 -	495,901 -	34,003,696 16,037,564
		609,732 (46,692)	1,084,076 401,290	495,901 (54,061)	50,041,259 534,732
		(344.722)	(686.120)	1.160.035	36.143.520
	0 -				32,296,862 26,916,113
		1,713,225 890.956	5,691,929 1.518.568	26,258,790 3 830 701	736,266,454
		895,370	(1,521,368)	(2,966,938)	(117,862,842)
		,708,812 139.689	5,689,129 451.360	27,122,554 375.449	740,344,934 260.256.406
		8,268,516	14,801,270	54,313,452	2,543,748,741
				386,450	360,105,674
		5,925,067	4,666,427	32,904,476	1,727,059,246
		2,106,363	9,703,131	20,487,368	32,296,862
		237,086	368,857	326,848	244,611,245
2,232,214,369 54,746,588 176,946,283 2,458,268		8,268,516 -	14,738,415 62,855	54,105,142 208,311	2,364,073,027 179,675,714
5		8,268,516	14,801,270	54,313,452	2,543,748,741
504.927.122 3.964.277		2.877.045	4.504.647	17.176.502	533,449,593

# and loss

Net mark-up/return, Inter segment reven Non mark-up / retu Total Income

ofit / (loss) before ta ment dire · segment | expense

ash & Bank bal



Advances - non-performing	Others Total Assets	Borrowings Deposits & other accounts Net inter segment borrowing Others Total litabilities Equity Total Equity & litabilities	

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# TRUST / 43. 43.1

& SME 4 creation of Endor and ABL 7.5%). Bonk of P oroved 17.5% h B d by a high powered c Committee. The State mittee in its meeting held on August 7, 200 ing banks (HBL, NBP and UBL 25% each, of the (

637 2018 (2017: Rs. ( 572 of the end

# ATED PARTY TRANSACTIONS 44.

r substantially the same terms as l executives / officers is determined to the e an. into transaci the actuarial enters with t

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

4,970,863

4,362,391 600,000

8,472 1,970,863

3,771,845

3,297,168 18,750 (1,833)

185,830 11,782 (19,962)

3,314,085 -(208,178)

145,369 20,234 (27,052)

3,793,405 4,970,863

84,416

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

Other related parties

Provident Fund

Pension Pension I Fund (Fixed Fund Deposit) (N.I.D.A.A/c)

2017 Pension Fund [Current]

Joint venture

Associates

Key management personnel

Directors

Other related parties

Provident Fund

Pension Pension | Fund (Fixed Fund Deposit) (N.I.D.A.A/c)

2018 Pension Fund (Current)

Joint venture

Key Directors management Associates v personnel

							-					
Debts due by Companies in which Directors of the Bank is interested as Directors												
Opening balance		•					•					
Addition during the year							33,958					- 2,000,000
Repaid during the year							(39,503)					- (2,000,000)
Adjustment							222,608					
Closing balance						•	217,063					
Other Assets Interest / mark-up accrued		1,704,892						. 2	2,082,323			
Borrowings												
Opening balance		•	87,920	•			•			49,649		
Borrowings during the year		•					•			38,271		

		137,045	1,808,033	195,769)		,749,309
		8,800,000 1,035,959 13,137,045	2,744,580 1	(3,266,000) (2,195,769)		1,248 10,300,000 514,539 12,749,309
		8,800,000	3,781,571 10,300,000	(8,800,000) (3		10,300,000
		1,363	3,781,571 1	(3,781,686) (8,800,000)		1,248
	87,920					
		28,838	430,392	(408,116)	10,933	62,048
		4,655	37,321	(27,127)	765	15,614
•	•			•	•	
		12,749,309	14,268,653	4,552,023]		2,465,939
		514,539		6,695,996] []		458,328 1
		10,300,000	28,800,000 16,639,785	,300,391) [28,000,000] [16,695,996] [14,552,023]	•	1,086 11,100,000 458,328 12,465,939
		1,248	4,300,229	4,300,391) [2		1,086
(49,672)	38,249					
		62,048	485,525	(454,455)	(12,429)	80,688
		15,614	28,447 485,525	(33,087)	(242)	10,733



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Key			Joint	Pension	Descriptions	Errado	:		- int	Doncion		Funde
					rrovigent	runas	Key		lillor		Provident	
management		Associates	venture	Fund	Fund	/	management	Associates	venture	Fund	Fund	/
personnel	lel					Others	personnel					Others
						Rupees in '000	000, ui					
Income												
Markup / 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												
Markup / 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
including charge for defined benefit plan 394,088	88					·	498,567					

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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year ended December 31, 2018. As at the Statement of Fi 7,071 million (2017: Rs. 644,002 million) and Rs. 671,296 2 million (2017: Rs. 25,686 million) respectively. million) for the ye million), Rs. 757,C and Rs. 30,942 amounting to Rs. 9,223 million (2017: Rs. 8,621 unted to Rs. 376,907 million (2017: Rs. 279,764 n sd to Rs. 25,959 million (2017: Rs. 19,620 million) ated e J to Governn → nrofit ons on be relating cies and advances, , ioans o ء date th 360. ۶ The Bank o Position da 2017: Rs. 3

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

### 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;
- 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
- issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

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

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.

- 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

- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for

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



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	2018	2017
	Rup	ees in '000
Minimum Capital Requirement		
Paid-up capital	150,957,373	129,231,852
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital Eligible Additional Tier 1 Capital Total Eligible Tier 1 Capital Eligible Tier 2 Capital Total Eligible Capital (Tier 1 + Tier 2)	128,017,400 - 128,017,400 45,126,290 173,143,690	105,083,149 105,083,149 39,135,659 44,218,808
Risk Weighted Assets Credit Risk Market Risk Operational Risk Total Common Equity Tier 1 Capital Adequacy ratio Tier 1 Capital Adequacy Ratio	798,236,578 81,385,782 157,972,625 1,037,594,984 12.34% 12.34%	658,251,418 69,816,926 147,035,017 875,103,361 12.01% 12.01%
Total Capital Adequacy Ratio	16.69%	16.48%
Leverage Ratio Tier-1 Capital Total Exposures Leverage Ratio Liquidity Coverage Ratio	128,017,400 3,650,341,045 3.51%	105,083,149 2,967,407,682 3.54%
Total High Quality Liquid Assets Total Net Cash Outflow Liquidity Coverage Ratio	949,424,482 560,346,109 169%	984,828,182 580,370,735 170%
Net Stable Funding Ratio		
Total Available Stable Funding Total Required Stable Funding <b>Net Stable Funding Ratio</b>	1,745,679,890 544,123,198 321%	1,531,580,508 419,276,880 365%

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 avialable 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 For the year ended December 31, 2018

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.



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# 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 le	endings	Non-perforn	ning lendings	Provisio	on held
	2018	2017	2018	2017	2018	2017
			Rupees	s 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 inv	estments	Non-performi	ng investments	Provisio	on held
	2018	2017	2018	2017	2018	2017
			Rupee	s 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
Miscelleneous	665,814	525,554	25,992	525,554	25,995	525,554
Leather & Tenneries	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	-	-	-	-	-
	59,484,729	54,252,119	5,182,817	6,417,651	5,174,053	6,350,020

# Credit risk by public / private sector

	Gross inv	estments	Non-performi	ng investments	Provisi	on held
	2018	2017	2018	2017	2018	2017
			Rupee	s 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 ad	vances	Non-perform	ning advances	Provi	sion held
	2018	2017	2018	2017	2018	2017
			Rupee	es 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

Public/ Government

Private

Gross adv	/ances	Non-perform	ning advances	Provi	sion held
2018	2017	2018	2017	2018	2017
		Rupee	s in '000		
353,000,659	279,763,540	2,526,128	3,082,946	2,526,128	3,082,946
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





46.2.1.4 Contingencies and Commitments Credit risk by industry sector

	2018 Rupe	2017 ees 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
	810,644,753	533,449,593

\* 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
	Rupe	es in '000
Credit risk by public / private sector		
	((0.000,(00	0/0 571 00/
Public/ Government	669,902,699	360,571,294
Private	140,742,054	172,878,299
	810,644,753	533,449,593

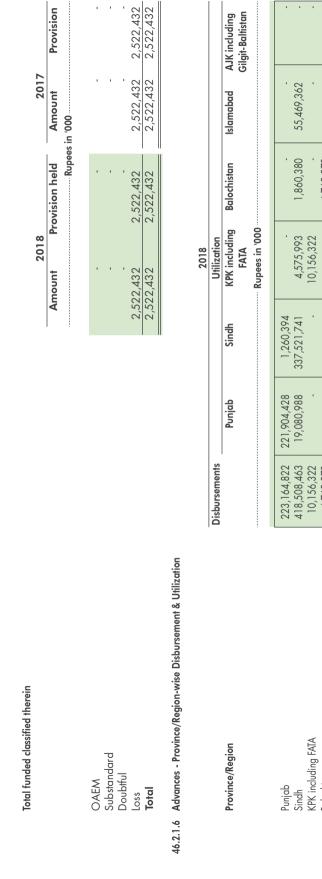
# 46.2.1.5 Concentration of Advances

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: 2019 2017

	2018	2017
	Rup	ees in '000
Funded Non Funded Total Exposure	252,217,265 580,082,098 832,299,363	212,256,057 287,334,226 499,590,283
loidi Exposure	032,277,303	477,370,203

The sanctioned limits against these top 10 exposures aggregated to Rs 866,076 million (2017: Rs. 623,029 million)

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





42,070,720 5,489,347 - - 5,489,347	97,540,082 5,489,347			Islamabad AJK including Gilgit-Baltistan			- 855,833	1	•	38,035,216	- 4,087,832	38,035,216 4,943,665
- 4	6,622,750 97			Balochistan Isle			17,967,346		7,597,115	- 38		25,564,461 38
628,607 -	15,360,922	2017	Utilization	KPK including FATA	Rupees in '000	200,000	2,754,263	8,016,053		2,055,719		13,026,035
17,918,593 -	356,700,728			Sindh		4,352,760	311,928,198					316,280,958
8,303,687 -	249,289,103			Punjab		245,614,187	6,682,731			1,149,044		253,445,962
68,921,607 5,489,347	731,002,931		Disbursements			250,166,947	340,188,371	8,016,053	7,597,115	41,239,979	4,087,832	651,296,297

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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	s 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

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

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352, 942,

,703,726 ,851,783 ,538,319

224 124 051 610

Net foreign Currency exposure

Off-balance sheet items

2017 Foreign Currency Liabilities

Foreign Currency Assets

Net foreign Currency exposure

Foreign Currency Liabilities

Foreign Currency Assets

2018 hala:

te. The Group's BP and foreign and back office ate. T SBP the 7 and the. ons cia exists | for narket, fin ad, of duties rbank Banks unter with and in the i balance SBP SBP. Apr the t urrencies cash in , as fixed by the S swaps ird and bills, fo spot, f of foi eady, nto order to manage currency risk exposure the Group enters foreign exchange exposure comprises forward contracts, currencies assets and liabilities. Foreign Exchange exposur functions.

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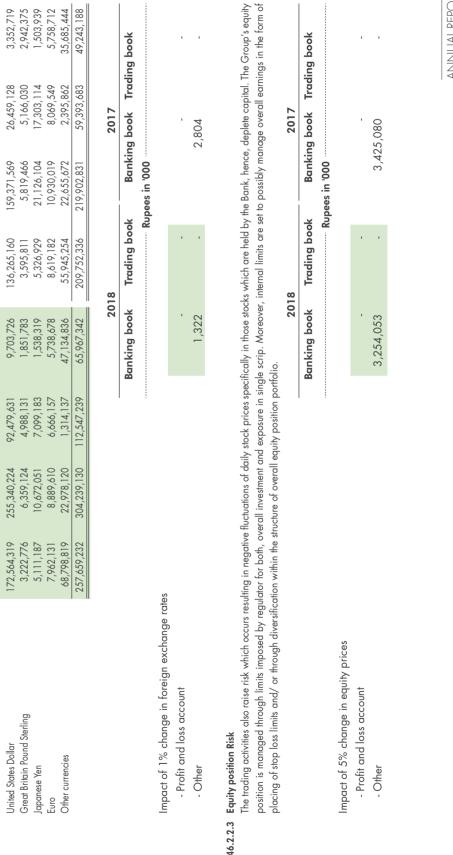
s Dollar i Pound Stei United States | Great Britain F Japanese Yen

# ge and ti markets Foreign Exchange Risk Foreign exchange global financial mc 46.2.2.2

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# rest Rate Risk in the Banking Book (IRRBB)-Basel II Specifi ield / Inter 46.2.2.4

asset which is being monitored by ALCO with an objective to possibly vaturity time bands. Bank assumes that the sources of IRR are based on ate risk specifically arises due to adverse movements in yield curve o iing or gaps in the amount of financial assets and financial liabilities

in the re-pricing term of Banking book items. changes in the slope or shape of the yield curve. book items over the implied cost of funds of those i Repricing risk; arising fro Yield curve risk; arising fr Basis risk; arising from dif

Impact of 1% change in interest rates on									2			
- Profit and loss account - Other comprehensive income							- 7,254,690		4,418,739 -	. 6,62	6,620,688	3,923,630 -
Mismatch of Interest Rate Sensitive Assets and Liabilities EA	es Effortivo	Totol				F	2018 Evnocad to Yiald/ Interact rick	aract rick				Non-interest
On-balance sheet financial instruments		- 	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Over Months to 1 to 2 Year Year Rupees in '000	Over 1 to 2 Years in '000-	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	bearing financial instruments
Assets Cash and balances with treasury banks Balances with other banks Lending to financial institutions Investiments Advances	0.0% 2 3.8% 7.3% 1,2 7.6% 9	0.0% 247,917,421 3.8% 13,049,725 10.2% 106,391,667 7.3% 1,284,974,506 7.6% 926,339,789 0.0% 93,184,051	24,610,265 4,208,279 104,773,968 230,232,984 151,546,936 526,925	899,549 100,000 328,999,639	800,616 800,616 74,571,877 211,071,981 4,330	703,935 703,935 33,866,946 83,179,891 166,162	105,006,548 25,062,427 11,472	1,417,699 58,004,390 19,889,769	76,305,713	- - - 26,297,797 -	- 10,325,819 13,079,525	223,307,156 6,437,346 6,437,346 1,230,501 92,475,161
	2,6	2,671,857,159	515,899,357	848,837,485	286,548,804 117,916,935	117,916,935	130,080,448	79,311,858	142,287,034	138,896,116	23,405,345	388,673,777
Liabilities Bills payable Borrowings Deposits and other accounts Liabilities against assets subject to finance lease	0.0% 10.1% 4.2% 7.6%	9,944,178 392,739,396 ,011,312,625 121,077	359,775,652 1,094,811,942	19,111,863 28,029,372	10,036,682 59,125,358	252,115 46,068,888 32,640	137,518 2,903,261	- 2,364,941 88,437	113,425 4,136,245	3,312,140 32,999		9,944,178 773,839,619
ouoriance dear Other liabilities	0.0%	169,713,068	306,390	669	7,869		12,635	3,562	4,862			169,373,926
On-balance sheet gap		2,583,830,344 1 88,026,815	1,454,893,985 (938,994,628)	47,141,904 801,695,580	69,169,909 46,356,797 217,378,895 71,560,138	46,356,797 71,560,138	3,053,413 127,027,034	2,456,940 76,854,918	4,254,532 138,032,502	3,345,139 135,550,977	- 23,405,345	953,157,723 (564,483,946)
Off-balance sheet financial instruments Documentary credits and short-term trade-related transactions		716,304,478										716,304,478
Commitments in respect of: - Envarid foreign exchange contracts - forward government securities transactions	L	112,547,239 45,163,250	31,240,350 41,587,500	73,421,491 3,575,750	10,099,425 [2,214,027]	(2,214,027) -						
Commitments for acquisition of: - operating fixed assets Other commitments		431,521 13.500	328,796	6,208 6.750	41,337	55,180 6.750						
Off-balance sheet gap	0	874,459,988	73,156,645	77,010,199	10,140,762	(2,152,096)						716,304,478

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

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

	Effective	Total				Expo	2017 Exposed to Yield/ Interest risk	erest risk				Non-interest
	Yield/		1 0441	Over 1	Over 3	Over 6 Months to 1	Over 1	Over 2	Over 3	Over 5	Ahouo	bearing
	rate		Month	Months	Months	Year	io z Years	Years	Years	Years	10 Years	instruments
ruments					Rupees in '000.	Rupees	in '000.					
sance	%U U	160 405 083	16 497 665									143 907 418
	3.0%	26,992,279	6,110,844	11,972,068	622,200	440,496	50,000			43,000		7,753,671
	9.0%	26,916,113	26,416,088	500,025			•		•	•		
	9.7%	1,296,537,064	486,910,046		31,520,848	33,674,183	83,795,544	85,493,141	97,651,046	86,578,718	662'196'6	66,884,437
	6.9% 0.0%	/40,344,934 164.211.915	265,/86,109 892,549	- 5,5,888,112		34,412,690 162.037		- - -	- -			1,364,417 163.157.329
		2,415,407,388	802,613,301	538,427,919	127,243,476	127,243,476 68,689,406	103,035,851	112,978,885	154,168,961	104,024,123	21,158,194	383,067,272
	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./%	1,/2/,059,246	9/1,150,613	42,//3,832	44,182,631	12/	21,938,690	1,489,643	353,326	20,000	i	5/2,934,881
tinance lease	%9./	66//95	•	5,643	\$///\$	.10'97	19,363	•		•	•	•
			. 10, 001									
	]%0:0	229,/35,110	/61'66/				•		•			228,935,913
	1	2,330,151,884	1,298,627,349	67,542,424	50,472,915	50,472,915 72,330,330	22,369,318	1,509,150	734,719	1,499,829		815,065,849
		85,255,503	(496,014,048)	470,885,495	76,770,561	76,770,561 [3,640,924]	80,666,533	111,469,735	153,434,242	102,524,294	21,158,194	(431,998,578)

with treas banks institution:

418,493,125

418,493,125



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	Commitments in respect of: forward brains advance antiracts	50 303 ARA	13 519 763	13 201 818	0 445 400	222 683						
	- torward totelgh exclutinge contracts - forward governments executities transactions Commerce for construction of	56,665,125	(7,475,000)			-						
	Commitments for acquisition of. - operating fixed assets Other commitments	826,727 23,115	708,975	31,953 -	23 <i>,777</i> 1,900	62,022 7,715	13,500				·	
	Off-balance sheet gap	535,401,776	6,746,738	107,373,896	2,471,097	303,420	13,500					418,493,125
	Total Yield/Interest Risk Sensitivity Gap	I	(489,267,310) 578,259,391	578,259,391	79,241,658 (3,337,504)	(3,337,504)	80,680,033	111,469,735	80,680,033 111,469,735 153,434,242 102,524,294	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	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	46.2.2.6 Reconciliation of Financial Assets with Total Assets										2018 Rupees in '000	2017 '000
	Total Financial Assets as per note 46.2.2.5 Add-Non-Einancial Assets									2,67	2,671,857,159	2,415,407,388
	Fixed assets Intengible assets									,	54,338,676 856,900	32,671,800 1,150,437 7,343,462
	Deterred tax assets Other assets										76,833,521	7,342,462 54,879,772
	Total assets as per statement of financial position									2,80		2,511,451,879
	<b>Total Financial Liabilities as per note 46.2.2.5</b> Deferred tox liabilities Other Liabilities									2,56	70	2,330,151,884 1,624,281
	Total liabilities as per statement of financial position									2,59	8,994,617 2,592,824,961	1,624,281 2,331,776,165



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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.

### 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.

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

Over 5 years Over 3 to Over 2 to Over 1 to years months Over 9 Over 6 to Over 3 to Over 2 to 3 Months Over 1 to Over 14 days Over 7 to Over 1 to days Day Day 676 900 Tota



•	3,312,140	1,226,467		11,072,427	7,355,200	22,966,233	210,610,438						
•	113,425	9,897,854 15,465,016		(4,087,385)	3,873,414 7,921,943	17,084,533 39,513,115 13,859,705 19,413,000 22,966,233	54,587,861 213,722,059 135,154,432 203,061,056 210,610,438						
•			88,437			13,859,705	135,154,432						
•	137,518	10,684,701			28,690,897	39,513,115	213,722,059						
•	114,598	16,165,004	32,640	(35,229)	807,520	17,084,533	54,587,861						
•	137,518	34,859,415			806,361	35,803,294	62,756,380						
•	10,036,682	60,123,706 34,859,415 16,165,004 10,684,701			10,260,759	80,421,147 35,803,294	89,790,682						
•	9,273,007	41,762,510		[142]	23,884,327 36,506,836	87,542,211	(28,770,445)						
•	9,838,857	20,674,327	·			54,397,510 87,542,211	555,451,605						
	3,807,347 209,012,046 133,854,642 13,101,617	1,312,625 1,671,217,257 15,516,485 16,567,114 97,152,770 20,674,327 41,762,510			83,016	110,337,403	1,061,295 [1,179,527,533] 100,068,677 [135,480,536] [70,363,383] 555,451,605 [28,770,445]						
	133,854,642	16,567,114			34,624	2,824,961 1,736,267,191 224,763,239 150,456,380 110,337,403	(135,480,536)						
•	209,012,046	15,516,485			234,708	224,763,239	100,068,677						
9,944,1/8 9,944,1/8		1,671,217,257	·	(3,904)	1,761,918 51,302,313	,736,267,191	1,179,527,533						
9,944,1/8	739,396	1,312,625	121,077	6,945,767	1,761,918	2,824,961	1,061,295	21,275,131	53,442,643	76,239,599	59,262,177	841,745	1,061,295

and afher accounts ogginst assets subject to tax (labilities bilities

392 011

Net assets

Share capital

-

Surplus/(Deficit) on revaluc

Non-controlling interest

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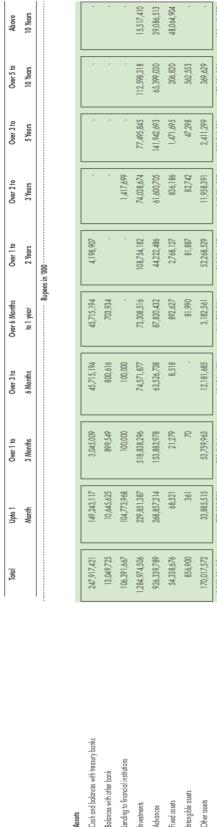
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Total         Uport         Own Tot         Ow			Over 1 to           7 days           08         84,097           00         1,037,419           00         1,037,419           01         174,764,130           47         866,833           47         866,833           31         -           23         139,564           04         202,313,668	2,2,2,2,2,4,7,7,7,7,7,7,7,7,7,7,7,7,7,7,		ys         Over 1 to 2 Months           1         2 Months           3         3,808,68           13         3,909,72           3         3,009,72           3         3,009,72           3         3,009,72           3         3,018,28           3         3,3,76           3         3,76           3         3,73,018,28           3         3,73,018,28		2	<u> </u>	•	eer 2 yeers - 99605 - 986,051,679 - 984,053,581 - 10,305 - 944,053,581 - 10,305 - 11,309,682 - 11,309,682		Over 2 to 3 years 5 96,800,1 49 51,066,759 132,467 132,487 132,487 132,487 132,487 132,487 33,296,008 33,296,0061 22,600,805	22 5 5 5 - 5 0 g	5 7 1 5
No.         Control         Control <thcontrol< th=""> <thcontrol< th=""> <thcontr< th=""><th>dences with treasury banks thin the banks mancial institutions seets cases b d other accounts</th><th></th><th>08 84,097 06 1,037,419 25,421,596 10 174,764,130174,764,130 174,764,130 174,764,130 174,764,130174,764,130 174,764,130 174,764,130174,764,130 174,764,130 174,764,130 174,764,130174,764,130 174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,1000000000000000000000000000000000000</th><th>2,5</th><th></th><th></th><th></th><th>2</th><th></th><th></th><th>0,053 86,05 0,053 86,05 0,053 88,05 0,46,05 0,40 0,40 0,41 180 0,51 31,397 0,41 1848 187,947</th><th></th><th>00,149 98,8 56,759 120,0 56,759 120,0 50,985 1,5 35,680 2,5 2,5</th><th>850, 846, 1, 889,</th><th></th></thcontr<></thcontrol<></thcontrol<>	dences with treasury banks thin the banks mancial institutions seets cases b d other accounts		08 84,097 06 1,037,419 25,421,596 10 174,764,130174,764,130 174,764,130 174,764,130 174,764,130174,764,130 174,764,130 174,764,130174,764,130 174,764,130 174,764,130 174,764,130174,764,130 174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,130 174,764,130174,764,1000000000000000000000000000000000000	2,5				2			0,053 86,05 0,053 86,05 0,053 88,05 0,46,05 0,40 0,40 0,41 180 0,51 31,397 0,41 1848 187,947		00,149 98,8 56,759 120,0 56,759 120,0 50,985 1,5 35,680 2,5 2,5	850, 846, 1, 889,	
160.405.083         160.250.508         84.097         70,478         - <t< th=""><th>dences with reasary banks this this burks noncicl institutions seets cases a d other accounts</th><th></th><th>08 84,097 06 1,037,419 25,421,596 174,764,130 47 866,831 31 31 139,594 04 202,313,668</th><th>5,</th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th>00,149 98,5 56,759 120,0 32,487 1,5 35,680 2,5 95,680 2,5</th><th>- - - - - - - - - - - - - - - - - - -</th><th>101 26 209 1</th></t<>	dences with reasary banks this this burks noncicl institutions seets cases a d other accounts		08 84,097 06 1,037,419 25,421,596 174,764,130 47 866,831 31 31 139,594 04 202,313,668	5,									00,149 98,5 56,759 120,0 32,487 1,5 35,680 2,5 95,680 2,5	- - - - - - - - - - - - - - - - - - -	101 26 209 1
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26,992,79         7,993,300         1,037,419         46,642         4,241,003         3606,661         623,460         622,000         483,470           26,916,113         25,915,136         92,432         530,025         1,353,799         714,503         31,250,666         52,006,667         413,530,666           26,916,113         25,413,667         5,354,537,66         94,442         5,352,218         31,358,799         71,4503         31,520,668         52,06,667         73,636         52,06,667         73,636         52,06,667         73,636         52,06,667         73,636         73,636         73,636         73,656         73,666         75,666         75,7666         75,666<	th other bonds monocial institutions seets casess defer accounts		06 1,037,419 25,421,596 10 174,764,130 47 866,831 779 5 31 33 33 139,594 04 202,313,668	2, 2,							,063 86,05 ,690 69,46 ,691 180,46 ,641 180, ,641 180, ,641 180, ,367 31,399	1,679 96,81 51,00,96,81 51,00,96,81 1,632 1,030 1,030 1,030 1,032		850,064 10 068,234 7 531,217 2 846,475 593,595 889,585 20	1 2 2 2 1
26,910,113         25,421,596         994,492         500,025         51,583         71,503         31,520,646         73,000         72,000         71,500         72,000         72,000         71,500         71,500         72,000         72,000         72,000         72,000         72,000         72,000         72,000         72,000         72,000         72,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         73,000         71,000         7,000	inoncicl institutions sees cosees d offer occounts		25.421,596 110 174,764,1300 47 866,831 779 866,831 .31	2,1							,063 86,05 ,690 69,46 ,641 18( ,025 841 ,641 18( ,025 31,39 ,367 31,39	, 1,679 9,581 2,726 2,726 2,726 1,030 9,829 12,51 9,829 12,51	00,149 98,8 56,759 120,0 50,985 1,5 22,487 2,5 55,680 2,5 56,061 225,5	850,064 10 068,234 7. 331,217 2. 846,475 . 593,595 20 889,585 20	
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740.344.94 $27/148.647$ 86.6831 $2.504.944$ $3.202/14,606$ $30090/729$ $15.23.477$ $61.307.7207$ $41,338.066$ $32.671.800$ $125,379$ $125,379$ $125,379$ $3.765$ $16,503$ $16,503$ $16,503$ $16,503$ $7606$ $7,150,437$ $43,731$ $43,731$ $43,731$ $3.765$ $3.765$ $16,503$ $16,730$ $7806$ $7,150,437$ $43,731$ $13,456,123$ $13,456,123$ $13,456,123$ $13,46,259$ $336,322$ $73,018,297$ $20,943$ $710022$ $2,511,451,145$ $40,4136,504$ $202,313,664$ $13,46,259$ $324,345,156$ $42,100,97,27$ $980,27,901$ $20,943,666$ $7,966,732$ $710032$	sees cossets dofter occounts		47 866,831 79	2,504,944	4 32,214,600 - 921 - 336,322 - 336,322	-					,690 69,46 ,025 84 ,641 188 ,641 188 ,61 18 ,367 31,399	9,581 51,00 2,726 2,66 0,642 11 1,030 2,829 12,55 9,829 12,55	56,759 120,0 50,985 1,5 32,487 - 2,E 35,680 2,5, 96,061 225,E	068,234 7. 531,217 2. 846,475 . 593,595 . 889,585 20	v v v 4   m   4
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	ats states other accounts		79 31 	_	- 928 - 336,327 - 344 345 156			=	94,94		,025 84, ,641 180 ,61 31,39 ,367 31,39	2,726 2,66 3,642 11 1,030 2,829 12,55 5,488 163,25	50,985 1,5 32,487 - 2,5 35,680 2,5 96,061 225,5	531,217 2. 846,475 . 593,595 . 889,585 20	N N N N N N N N N N N N N N N N N N N
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	dofter occounts		31		- - - - - - - - - - - - - - - - - - -			=	64		,641 180 61 367 31,390 848 187,940	),642 11 1,030 3,829 12,51 5,488 163,22	82,487 - 2,6 85,680 2,5 96,061 225,6	846,475 593,595 889,585 20	562,553 ,470,358 2,855 ,353,961 ,353,961
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	cosets and a defer occounts		- 23 139,594 04 202,313,668	-	- 9 336,322 9 344.345.156			=	6		61 367 31,390 848 187,94	1,030 9,829 12,5 5,488 163,2	- 2,6 35,680 2,5 96,061 225,6	846,475 . 593,595 . 889,585 20	4,470,358 2,855 39,353,961 -
219.091.687     14.566.123     139.594     134.629     336.322     730.18.287     73.137.643     95.867.732     710.032       25.11.451.877     404.436,504     202,313,666     4222,299     344,345.156     42.1009,272     98.027.810     103,134/40     94,945,488       13.195.055     13.195,055     13.195,055     13.195,055     13.195,055     13.195,055     13.195,056     13.195,056     13.195,056     13.175,059,246     13.175,059     14.35,652,059     19.775,908     16.245,442     774,650     23.988,298     6.268,508     17.785       300,105,674     6,001,943     299,660,133     38820,008     16,245,442     774,650     23,988,298     17.795,598     17.785       1,727,059,246     1,435,652,059     19,775,903     6,947,725     58,822,298     17,972,908     24,553,306     29,685,294     23,7687       56,793     25,643     27,569,368     32,672     34,755     34,755     5,643     23,758     774,650     25,643     23,7687       56,793     6,947,725     58,822,798     17,772,908     24,553,306     24,553,306     25,643     23,7687       56,793     26,685,508     32,672     34,755     34,755     34,755     25,643     25,7198     25,7198       56,793     27,556	d ofter occounts		23 139,594 04 202,313,668	-	9 336,322 9 344.345,156			~		_	,367 31,390 .848 187,94	9,829 12,51 5.488 163,2	35,680 2,5 96,061 225,8	593,595 889,585 20	2,855 ,353,961 ,479,829
2511,451,879     404,436,504     202,313,668     4,222,299     344,345,156     421,009,272     98,007,810     103,134,740     94,945,488       13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,175,059     24,555,056     24,555,306     24,555,306     24,555,306     22,5139     20,066       56,799     56,799     19,775,900     6,947,725     56,413     27,745,305     25,643     23,555,306     23,555,306     23,565,204     23,7687       56,791     25,643     32,672     34,755     34,755     34,755     25,643     25,643     23,7567       56,792     56,794     1,435,652,059     19,775,900     6,947,725     56,433     22,526,22     25,643       56,792     65,947,725     32,672     34,755     34,755     23,4352     23,136     23,7657       56,793     65,947,725     56,943,3929     11,572,772,708     24,518,42     25,643     25,647       56,793     65,677,765     32,676     32,676     34,755     34,759     24,769     25,7139	a doher accounts		04 202,313,668		0 344.345.15		4			1	848 187,94	5,488 163,2	96,061 225,6	889,585 20	479
13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     14,25,052,056     13,195,055     15,245,462     23,988,298     29,245,068     17,778,503       360,105,674     6,901,943     299,680,135     3,850,000     16,245,442     774,650     23,988,298     6,284,508     17,778       1,772,059,246     1,435,652,058     19,775,903     6,947,725     58,829,298     17,972,908     24,553,300     39,685,294     22,474,133       56,799     56,799     6,901,968     32,672     6,977,755     58,829,298     17,772,908     24,553,300     29,685,294     22,774,133       56,799     56,433     24,533,300     6,903,648     32,677     34,759     24,533,300     25,643     25,139       56,799     56,433     24,533,300     6,91,33,772     7,621,994     737,687       231,339,391     29,803,648     32,677     34,759     22,726     25,139     3090       77,14,14,14,14,14,14,14,14,14,14,14,14,14,	e d oher accounts		22	4	IALAILLA /				-						
13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,195,055     13,295,060     12,245,462     774,450     23,988,298     6,284,508     17,778       380,105,674     6,901,943     299,080,135     3,850,000     16,245,462     774,450     23,988,298     6,284,508     17,778       1,772,059,246     1,435,652,059     19,775,903     6,947,725     58,829,298     17,972,908     24,553,300     59,685,294     22,474,133       56,799     55,799     19,775,903     6,947,725     58,829,298     17,772,903     24,553,300     3,090       56,799     231,339,391     29,803,648     32,672     34,759     82,416     68,933,929     81,133,77     7,621,984     776,68	ofter accounts		55												470
360,105,674       6,901,943       299,680,135       3,850,000       16,245,4452       774,650       239,882,994       6,244,508       17,745.60       239,685,924       17,775         1,727,059,246       1,435,652,059       19,775,903       6,947,725       58,829,298       17,972,908       24,553,306       39,685,924       22,474,133         56,799       56,799       -       -       -       -       5,643       22,926       25,139       3,090         231,359,391       29,803,668       32,677       34,759       34,759       82,416       68,933,929       81,13,372       7,621,984       737,687	other accounts			-										•	47
1,727,059,246     1,435,652,059     19,775,903     6,947,725     5,88,29,208     24,553,306     59,685,294     22,474,133       5,647     5,643     2,563     6,947,725     3,759     2,553,306     25,139     3,090       231,359,391     29,803,668     32,672     34,759     8,1,737,908     24,553,306     25,139     3,090			43 299,680,135									411,265	19,507 3	381,394	É,
56/799     . <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td>08 24,553,3</td><td></td><td></td><td></td><td>,143 19,893,456</td><td></td><td>7,090,926 28,6</td><td>28,615,671</td><td>445,425</td></td<>							08 24,553,3				,143 19,893,456		7,090,926 28,6	28,615,671	445,425
.         5,643         22,926         25,139         3,090           34,759         82,416         68,933,929         81,153,372         7,621,984         737,687	Liabilities against assets subject to														
34,759 82,416 68,933,929 81,133,372 7,621,984 737,687	finance lease	56,799				- 5,64				06					
	Other liabilities 23										,711 24,686,195		3,606,655 7,0	7,046,734	6,886,609
CK0'757'57 07'010'57 7A'11'X71 051'120 01'121'51'57 051'720'10'	2,35	2,331,776,165 1,485,552,725 319,488,709	725 319,488,709	10,832,485	5 75,157,176	76 87,687,130	30 129,717,902	02 73,616,926	26 23,232,695	95 25,926,752	4	44,990,915 10,7	10,717,087 36,0	36,043,799	8,811,863
179,675,714 [1,081,116,221] [117,175,042] [6,610,185] 269,187,980 333,322,142 [31,690,092] 295,17,814 71,712,793 26,605,096	Net case/s	179,675,714 (1,081,116	221) (117,175,043	1 11	1 11	1 11			1 11			4,573 152,5	142,954,573 152,578,974 189,845,786 200,542,098	845,786 20	24
21,225,131	2 Share capital	21,275,131													
49,887,328	Asserves	49,887,328													
58,069,393	Unappopriated profit	58,069,393													
revolucion of assets 49,632,435	Surplus/(Deficit) on revolution of assets	49,632,435													
est 81.1,427	Non-coording inkrest	811,427													

Notes to the Consolidated Financial Statements

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

2018





2,800,88,256       79,325,708       730,548,144       196,904,629       211,705,54       212,294,117       149,594,357       223,368,801       179,166,550       102,166,550       102,166,550       102,166,550       102,166,550       102,166,550       102,166,550       102,166,550       101,166,550       101,166,550       101,166,550       101,11,865       100,66,682       223,115       113,751       113,751       113,425       113,425       113,425       113,751       113,752       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,427       11,072,417       11,072,427       14,750,758       11,072,427       14,750,758       11,072,402															
787,325/08       730,548,144       196,904,629       211,705,254       212,294,117       149,934,397       223,368,831       113         4,582,707       346,059       246,059       261,708       246,407       284,298       1       1       1       1       1       1       1       1       245,708       1	102,668,827				•	11,072,427	3,677,600	14,750,027	87,918,800						
777,325,708       730,548,144       196,904,629       211,705,254       212,294,117       149,934,397       223         4,582,707       34,6059       19,111,1863       203,715,652       19,111,1863       203,715,652       284,477       212,794,117       149,934,397       223         600,584,974       87,037730       281,557,087       228,115       249,499,922       88,437       244,477,008       248,113,008       244,413       244,414       244,4	179,136,350		3,312,140	1,226,467		(4,087,385)	3,677,600	4,128,822	175,007,528						
797,325/08     730,548,144     196,904,629     211,765,254     212,294,117       4,582,707     346,059     263,615     263,711     4,467,402     284,413,100       395,775,652     19,111,863     10,036,682     281,557,087     284,413,100     244,99,922       600,584,974     87,037/30     281,557,087     288,413,100     244,99,922       137,518     11,800,339     11,800,339     232,403     1       4,4730,352     171,560,346     303,557,819     255,454     1       1,009,669,782     171,560,346     303,557,819     255,454,956     276,5012,445       1,009,669,782     171,560,346     303,557,819     295,454,956     276,512,645       1212,344,073     538,987,798     (106,733,191)     83,7497,121     166,318,5281     1	223,368,831	•	113,425	254,280,249			7,921,943	262,315,617	(38,946,786)						
797,325,708     730,548,144     196,904,629     211,705,554     212       359,775,652     19,11,1863     10,036,682     253,115     252,115       600,584,974     87,037730     281,557,087     284,31,100     249       1     1,3904     17,303,534     213     249       600,584,974     87,037730     281,557,087     288,413,100     249       1     1,3904     11,421     11,421     244       1,009,69782     171,560,346     303,657,819     2,324,938     28       1,009,69782     171,560,346     303,657,819     2,924,946     278       212,344,073     538,987,798     (106,733,191)     183,749,712     (66,	149,934,397			248,713,086	88,437		3,873,414	252,674,937	(102,740,540)						
797,325/08     730,548,144     196,904,629     2       4,582/707     346,059     19,111,863     263,711       359,775,652     19,111,863     10,036,682     2       600,584,974     87,037/20     281,557,087     2       1,904,14     1,863     1     2       1,390,339     1     1     2       1,009,689,782     171,560,346     303,657,619     2       1,009,689,782     171,560,346     303,657,619     2       212,344,073     538,987,798     (106,733,191)     18	212,294,117	284,298	137,518	249,499,932			28,690,897	278,612,645	(66,318,528)						
797,225,708 730,548,144 1 4,582,707 346,059 359,775,652 600,584,974 87,037,730 2 600,584,974 87,037,730 2 1,009,669,782 171,560,346 3 1,009,669,782 171,560,346 3 1,009,669,782 171,560,346 3 100 1212,344,073 558,987,798 101	211,705,254	4,467,402	252,115	288,413,100	32,640	(35,229)	2,324,938	295,454,966	(83,749,712)						
797,225,708 730 4,582,707 359,775,552 600,584,974 1,009,669,782 171 1,009,669,782 171 212,344,073 538	196,904,629	263,711	10,036,682	281,557,087			11,800,339	303,657,819	(106,753,191)						
777 3595 1,000 1,000 1,000	730,548,144	346,059	19,111,863	87,037,730		[142]	65,064,835	171,560,346	558,987,798						
2,803,886,256 9,944,178 392,739,396 2,011,312,625 171,761,918 2,945,767 171,761,918 2,592,824,961 2,1275,131 3,442,643 76,239,599 59,262,177 841,745 81,745	797,325,708	4,582,707	359,775,652	600,584,974		(3,904)	44,730,352	1,009,669,782	(212,344,073)						
	2,803,886,256	9,944,178	392,739,396	2,011,312,625	121,077	6,945,767	171,761,918	2,592,824,961	211,061,295	21,275,131	3,442,643	76,239,599	59,262,177	841,745	211,061,295

Lidohilifies Vills poyable rowings visis and other accou Vies ogainst assets sui-t tax teur

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16,214,857 20,643,830 26,526,466 562,553

111,150 59,250

,470,358

43,731 519, 531,

80,642

,030

20,943

842,725

445,155 887,832 180,641

,345,144 16.750

40,344,934 32,671,800 1,150,437

,342,482

Over 5 to 10 Years Over 3 to Over 2 to 3 Years Over 1 to ġ Over 6 Months Over 3 to 6 Months Over 1 to 3 Months Upto 1 Month Total

362,672

362,672

S

Above 10 Years

Assets
Cash and balances with treasury ban
Balances with other banks
Lending to financial institutions
Investments
Advances
Fixed assets
Intangible assets
Deferred tax assets
Other assets
Liabilities
Bills payable

20 20

564 818

373,6

734

,479,829 445,425

381,394 ,664,313

19,507 ,139,567

633,980 411,265 226,942,099 19,364 19,364 24,686,194 252,692,902

844

5,637,243 88,683 214,782,404 3,091

348,042 5,284,508 3,431,972 28,701

456,724 1,762,948 2,773,649

326,677,540 544,879,817

13,195,055 360,105,674 727,059,246 56,799

5,643

21,275,131 49,887,328 58,069,393 49,632,435 8111,427 79,675,714

# Notes to the Consolidated 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. 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 derivate 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.

### EVENTS AFTER THE REPORTING DATE 47.

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.

### CORRESPONDING FIGURES 48.

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.

### GENERAL 49.

- Figures have been rounded off to the nearest thousand rupees. 49.1
- DATE OF AUTHORIZATION FOR ISSUE 50.

The financial statements were authorized for issue on February 22, 2019 by the Board of Directors of the Bank.

Arif Usmani

Abdul Wahid Sethi Chief Financial Office



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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

Sr. No.	Name & Address of the borrower	Name of Individuals/	Fathers/Husband's name.		Dutstanding liabilities	at hasinning of	VAGE		Interest/	Rupees Other financial	
31. 140.	Nume & Address of the borrower	Partners/Directors	runeis/riospana's name.	Principal	Interest/	Others	Total	Principal	Mark-up	relief/waiver	
		with NIC No.			Mark-up		(5+6+7)	written-Off	written off.	provided.	(9+10+11)
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	Hashmat Ali	30,000	22,077	169	52,246	-		10,865	10,865
		Misbah Khalil 35202-5738845-2	Khalil Hashmat								
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	Mr. Nisar Khan Lodhi	9,780	6,564	150	16,494	-	-	3,587	3,587
		Naeem Ghous Qureshi 36302-1324272-5	Mr. Shabbir Ahmad Qureshi								
		Naveed Ahmad Lodhi 36302-5005741-5	Mr. Nisar Khan Lodhi								
		Mst. Ahmedi Begum 36302-4508710-8	Mr. Mian Jaffar Hussain								
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	Jamal Din	111		2,096	2,207	-	-	809	809
		Farhana Naveed 36104-4752462-0	M Naveed Mughal								
7	Ramay Model Ginnig Factory, Vehari	M. Anwar Ramay 36603-7495795-9	Muhammad Ali	-	296	1,992	2,288	-	-	1,026	1,026
		Mst. Safia Sultana 450086729 Passport	M Ashraf Ramay								
		Mst Shehnaz Anwar 36603-9580703-6	M Anwar Ramay								

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

Sr. No.	Name & Address of the borrower	Name of Individuals/	Fathers/Husband's name.		Outstanding liabilities	at beginning of	year		Interest/	Rupees Other financial	
		Partners/Directors		Principal	Interest/	Others	Total	Principal	Mark-up	relief/waiver	Total
		with NIC No.			Mark-up		(5+6+7)	written-Off	written off.	provided.	(9+10+1
1	2	3	4	5	6	7	8	9	10	11	12
8	Al-Madina CNG GT.Road Hasanabdal	Masood Pervaiz Kiani 37405-0788862-7	Raja Allah Dad	10,220	3,164	3,580	16,964	-	-	867	867
		Mst. Farzana Bibi 37405-2185846-2	Raja Muhammad Hanif								
		Mst. Fahmeeda Begum 37405-7426440-6	Raja Zumarad Khan								
		Mst. lffat Perveen 37405-0512356-6	Liaqat Ali Kiani								
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	Muhammad Naseem Sethi	10,699	823	3,581	15,103	-	-	1,023	1,023
		Umair Adnan 34201-5402368-9	Adnan Naseem								
11	Hashim Zaman Ward no 24 gojra mzd	Hashim Zaman 82201-7990351-9	Shah Jahan	651			651	651	-	-	65
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	Muhammad Anwar Sheikh	2,300	-	2,248	4,548		-	1,626	1,620
		Waseem Anwar Sheikh 34603-3020187-5	Muhammad Anwar Sheikh								
		Usman Ali 34603-6584707-1	Muhammad Suleman								
		Nadia Shama 34603-8449854-4	Qaiser Anwar Sheikh								



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Rupees in '000 Sr. No. Name & Address of the borrower Name of Individuals/ Fathers/Husband's name. Outstanding liabilities at beginning of year Other financial Interest/ Partners/Directors Total Mark-up relief/waiver Total Principal Others Principal Interest/ with NIC No. provided. (9+10+11 Mark-up (5+6+7) written-Off written off. 7 9 10 11 12 1 2 3 4 5 6 8 14 M/S Nawaz Steel Furnace 4.814 3.610 3.610 Muhammad Saddique 4,814 Muhammad Nawaz 34502-8668970-9 Muhammad Saddique Muhammad Niaz 34502-0883942-9 Muhammad Saddique Muhammad Shahid 34502-1102673-1 15 Kh. Atif Raza Kh. Atif Raza Kh. Farasat Ullah Khan 4,041 4,941 3,539 3,539 900 34601-0795218-1 Khalida Perveen Kh. Atif Raza 34601-5543248-2 16 Geo Oil Mills Pvt Ltd Qazi Amjad Abid Abbasi Qazi Abdul Majeed Abid 49,995 20.053 36 70,084 9.084 9.084 Plot No.2-C; 3rd Floor, Sunset Lane 42301-1470554-5 No.01 D.H.A Phase II Ext. Karachi Mrs. Husna Amjad Kazi Qazi Amjad Abid Abbasi 42301-2513839-0 Arshad Mirza labal Mirza 42301-9618970-5 17 Dadabhoy Cement Industries Ltd. 30,977 30.977 30.977 Mr.Muhammad Hussain Abdul Ghani Dadabhoy 7.303 38,280 Dadabhoy Office # 4, Second Floor, Plot # 30, Ittehad Lane # 12, 517-45-174895 Phase VII, Defence Housing Authority, Karachi Muhammad Hussain Dadabhoy Mrs. Yasmin Dadabhoy 517-91-453214 Muhammad Hussain Dadabhoy Mrs.Humaira Dadabhoy 517-88-228760 Mr.Muhammad Amin Dadabhoy Muhammad Hussain Dadabhoy 517-89-228761 Mr.Fazal Karim Dadabhoy Muhammad Hussain Dadabhoy 517-94-396898 Mrs.Razia Hussain Dadabhoy Muhammad Hussain Dadabhoy 517-47-228759 18 Niaz Hussain 502 545 Faiz Muhammad 502 43 545 43 Niaz Hussain 32103-0299511-3 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

The bank is operating 192 (2017: 169) Islamic banking branches and no Islamic banking windows at the end of the 2018 year. 2018 2017

# ASSETS

Cash and balances with treasury banks Balances with other banks Due from financial institutions Investments Islamic financing and related assets - net Fixed assets Intangible assets Due from Head Office Other assets

# LIABILITIES

Bills payable Due to financial institutions Deposits and other accounts Due to Head Office Subordinated debt Other liabilities

## NET ASSETS

REPRESENTED BY Islamic Banking Fund Reserves Surplus/ (Deficit) on revaluation of assets Unappropriated/ Unremitted loss

The profit and loss account of the Bank's Islamic banking branches for the year ended 2018 is as follows:

Profit / return earned Profit / return expensed Net Profit / return

### Other income

Fee and Commission Income Dividend Income Foreign Exchange Income Income / (loss) from derivatives Gain / (loss) on securities Other Income Total other income

Total Income

# Other expenses

Operating expenses Workers Welfare Fund Other charges Total other expenses

Profit / (loss) before provisions Provisions and write offs - net Profit / (loss) before taxation Taxation Profit / (loss) after taxation



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### Annexure - II

# ISLAMIC BANKING BUSINESS

N

	2018	2017
ote	Rupee	es in '000
	4,649,968	3,019,664
	4,319	2,809,667
1	1,417,699	-
2 3	23,914,372	17,854,897
3	26,827,280 275,435	18,946,404
	-	
	-	-
	1,998,587	1,149,381
	59,087,660	43,975,444
	228,382	126,099
	-	-
4	51,022,121	36,908,343
	3,920,506	5,120,098
	1,065,012	257,113
	56,236,021	42,411,653
	2,851,639	1,563,791
	2,200,000	1,700,000
	708,789	91,926
6	(57,150)	(228,135)
	2,851,639	1,563,791

	2018	2017
Note	Rupee	es in '000
7 8	3,117,907 (1,423,091)	2,021,472 (954,510)
0	1,694,816	1,066,962
	285,190	254,425
	19,466	1,113
	-	-
	39,140 343,796	36,095 291,633
	2,038,612	1,358,595
	(2,008,278)	(1,586,730)
	(2,008,278)	(1,586,730)
	30334 (87,484)	(228135)
	(57,150)	(228,135)
	(57,150)	(228,135)

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

		2018			2017	
	In Local	In Foreign	Total	In Local	In Foreign	Total
	Currency	Currencies		Currency	Currencies	
			Rupees	in '000		
ncial Institutions						
					-	-
						-
veable from State						
	1,417,699		1,417,699		-	-
	1,417,699	-	1,417,699	-	-	-

This represent Bai Muajjal agreement with Government of Pakistan and carries profit rate 12.82% per annum.

			2018			20	17	
	Cost/	Provision for	Surplus/	Carrying	Cost/Amortised	Provision for	Surplus/	Carrying
	Amortised cost	diminution	(Deficit)	Value	cost	diminution	(Deficit)	Value
				···· 'Rupee	es in '000			
Investments by segments:								
Federal Government Secu	rities:							
-Ijarah Sukuks	9,740,000		(56,116)	9,683,884	11,123,388		69,926	11,193,314
	9,740,000	-	(56,116)	9,683,884	11,123,388	-	69,926	11,193,314
Non Government Debt Secu	urities							
-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
	13,596,390	(130,807)	764,905	14,230,488	6,770,390	(130,807)	22,000	6,661,583
Total Investments	23,336,390	(130,807)	708,789	23,914,372	17,893,778	(130,807)	91,926	17,854,897

			2018		2017
	Note	•	Rupee	es in	'000
3	Islamic financing and related assets				
				i	
	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		27,106,558		19,138,198
	Less: provision against Islamic financings				
	- Specific		(278,995)		(191,794)
	- General		(283)		-
			(279,278)		(191,794)
	Islamic financing and related assets - net of provision		26,827,280		18,946,404

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

						2018			
			A. I.	Cost	A		Depreciation	A	D. J. V. L.
			At January 1, 2018	Additions / (deletions)	As at Dec 31, 2018	At January 1, 2018	Charge for the year	As at Dec 31, 2018	Book Value as 31 Dec 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			umulated Deprecia	tion	
			At January	Additions /	As at Dec	At January	Charge for	As at Dec	Book Value as
			1, 2017	(deletions)	31, 2017	1, 2017	the year	31, 2017	31 Dec 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			Not	Later than 1	Over	
		later than	year & le	ss Five	Total	later than	year & less	Five	Total
		1 year	than 5 ye	ars years		1 year	than 5 years	years	;
	ljarah rental receivables	159,136	323,77	9 -	482,915	147,059	174,391		321,450
							2018		2017
						Note		ees in '00	00
3.2	Murabaha								
	Murabaha financir	ig				3.2.1	2,024,07	1	1,221,869
	Advances for Murc	abaha					2,102,560	5	3,011,394
							4,126,637	7	4,233,263
3.2.1	Murabaha receiva	ble - gross				3.2.2	2,112,680	С	1,299,670
	Less: Deferred mur					3.2.4	25,372	2	40,769
	Profit receivable sh		er assets				63,237		37,032
	Murabaha financir	ngs					2,024,07	1	1,221,869



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	2018	2017
	Rupee	s in '000
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
Murabaha sale price	9,048,097	5,536,029
Murabaha purchase price	8,757,480	5,441,783
	290,617	94,246
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
	Opening balance Sales during the year Adjusted during the year Closing balance Murabaha sale price Murabaha purchase price Deferred murabaha income Opening balance Arising during the year Less: Recognised during the year	Rupped         The movement in Murabaha financing during the year is as follows:         Opening balance       1,299,670         Sales during the year       9,048,097         Adjusted during the year       8,235,087         Closing balance       2,112,680         Murabaha sale price       9,048,097         Murabaha sale price       9,048,097         Murabaha purchase price       9,048,097         Deferred murabaha income       290,617         Opening balance       40,769         Arising during the year       268,985         Less: Recognised during the year       284,382

### Deposits 4

		2018			2017	
	In Local	In Foreign	Total	In Local	In Foreign	Total
	Currency	Currencies	;	Currency	Currencies	
			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

Composition of deposits
<ul> <li>Individuals</li> <li>Government / Public Sector Entities</li> <li>Banking Companies</li> <li>Non-Banking Financial Institutions</li> <li>Private Sector</li> </ul>
This includes deposits eligible to be covered under insuran
Charity Fund
Opening Balance
Additions during the period
Received from customers on account of delayed payment
Payments / utilization during the period
Education
Closing Balance
No charity amount paid exceeds Rs. 0.5 million during the
Islamic Banking Business Unappropriated Profit
Opening Balance Add: Islamic Banking loss for the period Less: Transferred / Remitted to Head Office Closing Balance



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2018				2017
	Rupees	in	'000	

23,931,004	15,521,947
16,962,630	10,547,389
5,060,664	4,604,908
120,394	200,130
4,947,429	6,033,969
51,022,121	36,908,343

surance arrangements amounting to Rs 26,139 million.

2018 2017 Rupees in '000		
469	-	
1,059	469	
469	-	
1,059	469	

ng the year. Further, there is no charity payments to related parties.

2018	2017
Rupe	es in '000
(228,135)	(381,998)
(57,150)	(228,135)
228,135	381,998
(57,150)	(228,135)

	2018 Rupees i	2017 n '000
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
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 Modaraba based deposits have been deployed.

Sector Fertilizer Textile Fuel & energy Leasing/Modarbas Sugar Cement Gas Financial Federal Government Others Total

# 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.

# **Mudarib Share**

Gross Distributable Income Mudarib (Bank) share of profit before Hiba Mudarib Share in %age

## Hiba from Mudarib Share

Mudarib (Bank) share of profit before Hiba Hiba from bank's share to depositors Hiba from bank's share to depositors in %age

### **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%.



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2018	2017
Perc	centage
3.14%	2.00%
3.40%	2.30%
45.13%	38.60%
0.59%	1.00%
4.03%	5.70%
13.67%	4.10%
3.13%	5.00%
1.81%	7.30%
19.20%	27.90%
5.89%	6.10%
100.0%	100.0%

2018 Rupees in '000
2,194,658 912,074 42%
912,074 143,502 16%



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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

# Of Shareholders		S	hareholdings'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	1000000	63,149,815
5	10000001	to	5000000	98,633,426
2	5000001		10000000	145,827,000
1	10000001	& above		1,599,845,728
12,233				2,127,513,026

1,599,845,728

75.20

# Notice Of 70<sup>th</sup> 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.
- Reports thereon.
- retiring auditors.

# **Special Business:**

- 5. To transact any other business with the permission of the Chairman.

Karachi Dated: March 07, 2019



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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'

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

4. To consider and approve compensation package of President of the Bank, as recommended by the Board of Directors.

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 Shahra-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.
- 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 Shahra-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.

- Agent, Messrs Central Depository Company of Pakistan Limited.
- THE SHARE REGISTRAR:

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 Reaistrar. 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:



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v) Members are requested to immediately notify any change in their addresses to the Bank's Registrar and Share Transfer

# vi. COLLECTION OF THE UNCLAIMED / UNDELIVERED DIVIDEND WARRANTS/BONUS SHARES CERTIFICATES LYING WITH

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

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	<ol> <li>Utilities (electricity, gas, water) at actual.</li> <li>Two (2) telephone(s) at residence / Two (2) Mobile Phone(s) and monthly bills at actual.</li> <li>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.</li> <li>Salary of five (05) persons for domestic help (total PKR 90,000/- per month on reimbursement basis).</li> </ol>
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 tenur 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.

# Form of Proxy CDC A/C No. I/We\_\_\_\_\_ of\_\_\_\_\_ at Crystal Ballroom Marriat Hotel Karachi, and at any adjournment thereof. Signed this \_\_\_\_\_\_ day of \_\_\_\_\_ 2019 Witnesses: 1. Name:\_\_\_\_\_ Address:\_\_\_\_\_ CNIC No. 2. Name:\_\_\_\_\_ Address:\_\_\_\_\_ CNIC No.\_\_\_\_ 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

### B. For CDC Account Holder:

shall be rendered invalid.

- 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.
- shall be submitted along with Proxy Form to the Bank.



# 70<sup>th</sup> Annual General Meeting Of National Bank Of Pakistan

Folio No.\_\_\_\_\_\_ or CDC participant identity no.\_\_\_\_\_ 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 70<sup>th</sup> Annual General Meeting of National Bank of Pakistan, to be held at 2:30 pm on Thursday, March 28, 2019 Affix Revenue Stamp of Five Rupees Signature\_\_\_\_\_ (Signature should agree with the specimen signature registered with the Bank)

deposited with our Registrar/Transfer Agents, Messrs Central Depository Company of Pakistan Limited, CDC House, 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi, not less than 48 hours before the time of holding the meeting.

4. If a member appoints more than one Proxy, and more than one instruments of Proxy are deposited by a member with the Bank, all such instruments of Proxy

4. In case of Government of Pakistan/State Bank of Pakistan/corporate entity, the Board of Directors' resolution/power of attorney with specimen signature

نیشنل بینک آف پاکستان کا <b>70</b> واں سالا نہ اجلاسِ عام			
نمائندےکافارم( پروکسی فارم )			
ل ڈی تی پارٹیسپینے آئیڈینٹیٹی نمبر	فوليونمبر ياح		
	سى ۋىتى اكا ئەنشەنمبر <b>ي</b> ي / بىم		
	جن کا تعلق		
۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔	جو کہ نیشنل بینک آف پاکستان (فولیو نمبرکارکن بھی ہے یا (فولیو نمبرکارکن بھی ہے کو میرے/ ہمارے نمائندے کے طور		
ط کیا گیا:	ات 2019ء کےکود تخ		
مارچ روپے کی	گواہان:		
ريوينيواس <u>ٿي</u> مپ	تام:		
	پېټر. سی این آنی سی نمبر		
وستخط	2-ئام:-2		
*			
	سی این آنی سی نمبر		
ٽوٹ	(الف) عمومي:		
نا بھی اہل ہے تا کہ وہ نمائندہ اس کی جگہ شریک ہوادرووٹ ڈالے۔ کوئی بھی څخص جو بینک کارکن نہیں ہے اس کونمائندہ کے طور پر مقر ں)۔	1- رکن جواجلاس میں شریک ہونے اور دوٹ ڈالنے کا اہل ہے دہ اپنا نمائندہ مقرر کرنے کا نہیں کیاجا سکتا( حکومتِ پاکستان یا بینک دولت پاکستان/کار پوریشن اس سے متشقٰ بیر		
نیارکار/ وکیل کی جانب سے دستخط ہونا چاہیئے ۔اگررکن کوئی کار پوریشن ہے( حکومتِ پا کستان اور بینک دولت پا کستان کےعلاوہ)	2- نمائند کی تقرر تری کا معاہدہ/ وشیقہ تحریری طور پر اختیار دیے گئے رکن یا اس کے کسی مختر اس کی عمومی مہر معاہد کے اوٹیقہ پر چیواں ہونی چاہئے ۔		
تخط کیا گیا ہے یا اُس کی کوئی توثیقی طور پرسندیا فتہ نقل، اجلاس کے انعقاد سے کم از کم 48 گھنے قبل ہمارے رجسڑ ار/ٹرانسفرا یجنٹس سامیری ایچ ایس بہ میں نشاجہ افیص برکہ اح میں اند آجیج کہ مائی جا بڑ			
ں سان ان اس میں اور ایک میں اور بی میں کا در ایک مرود کا طور ان طور ان طور کی جائے۔ ب سے زیادہ نمائند کا معاہدہ۔ وثیقہ جمع کروایا گیا ہے تو ایسے تمام نمائند کے معاہدات ناجا نزیظہرادیے جائیں گے۔			
	(ب) می ڈمی می اکاؤنٹ ہولڈر کے لیے:		
	<ul> <li>(i) پروکسی فارم دوافراد کی جانب سے گواہی فراہم کیے گئے ہوں گے جن کے نام، پتے اور (ii) پروکسی فارم کے ساتھ ہی این آئی سی کی تصدیق شدہ فغول یامستدنید ہونے والے مالکا</li> </ul>		
•	(۱۱) کرو گارا مے حک کھی این ای کی کا صلمہ کی سکرد طوں یا سکتید ہونے واقعے کا کا (iii) اجلاس کے دقت پروکسی اپنااصل می این آئی می یا اصل پا سپورٹ پیش کر ے گا گی۔		

