



## Strong Financial Delivery Continues

Pre-tax Profit of PKR 101.3 Bn — 61.4% up YoY. Total Assets reach PKR 6.7 Trillion —27% up YoY.

Karachi, February 22, 2024 – The Board of Directors of National Bank of Pakistan “NBP” “the Bank” met today to approve the annual financial statements for the year ended December 31, 2023.

NBP, the Nation’s Bank, has marked yet another year of robust financial outcomes, achieving a pre-tax profit of PKR 101.3 Bn, presenting a 61.4% increase from the preceding year's PKR 62.7 Bn. The Bank navigated a challenging macro environment, sustaining its support to customers in line with its Vision.

This year witnessed the creation of total stakeholders' value amounting to PKR 1,065.3 Bn, doubling the PKR 540.0 Bn of the previous year. A 35.4% surge in average earning assets, coupled with margin expansion on the back of higher average policy rates, generated gross interest revenue of PKR 1,024.7 Bn — 103.6% higher than PKR 503.3 Bn for 2022. Healthy growth was achieved in all income streams being Advances (PKR 221.8 Bn, 57% up), Investments (PKR 774.0 Bn, 122% up), and Placements (PKR 28.9 Bn, 112% up). Pursuant to an effective fund mobilisation, average interest bearing liabilities of the Bank reached PKR 5,267.8 Bn (2022:PKR 3,871.9 Bn). In the backdrop of higher average interest rate, PKR 855.9 Bn was paid to the providers of funds in terms of cost of funds. Accordingly, the Bank’s net interest income for the year closed at PKR 168.7 Bn, depicting a YoY increase of 44.4%.

Despite lower trade activity amidst a challenging & uncertain business environment, the Bank achieved a 10.7% growth in its non-fund income stream that amounted to PKR 40.6 Bn (2022:PKR 36.7 Bn). While equity investments of the Bank generated dividend income of PKR 5.3 Bn (2022:PKR 5.2 Bn), income under fee & commission stream amounted to PKR 22.0 Bn (2022:PKR 21.2 Bn), and are reflective of the Bank’s widespread customer base and market outreach. The Bank’s FX income for the year closed at PKR 7.1 Bn which is slightly lower than PKR 7.4 Bn for the prior year due to adverse impact on account of forward exchange contracts rates. Whereas, given the bullish trends of the stock market during most days of the years, the Bank generated, mostly through its equity portfolio, capital gains of PKR 4.4 Bn, depicting a 285% increase over PKR 1.1 Bn of the corresponding year. Consequently, total income for the year amounted to PKR 209.4 Bn, i.e., PKR 55.8 Bn or 36.4 % higher, YoY.

Reflecting the impacts of inflationary impacts, yearly increase in HR compensation, and the Bank’s investment into its IT systems and upgrade of business premises, operating expenses for the year amounted to PKR 93.3 Bn, depicting a YoY increase of 19.5% against PKR 78.2 Bn in 2022. Pursuant to a prudent strategy of strengthen the Bank’s capital base, a provision charge of PKR 14.5 Bn was created during the year. This is particularly important in the backdrop that International Financial Reporting Standard 9 stands implemented effective January 01, 2024. Implementation of the standard is likely to attract higher provisioning resulting into decreased regulatory capital and lending capacity of the banks. Pursuant to its prudent strategy of strengthening the capital base, the Bank holds PKR 203.6 Bn in specific provisions, and PKR 30.0 Bn in general provisions against distressed loan portfolio, depicting a high specific coverage ratio at 92.2%. Accordingly, the Bank’s pre-tax profit for the year amounted to PKR 101.3 Bn i.e., 61.4% up against PKR 62.7 Bn for the prior year. Tax charge for the year amounted to PKR 49.4 Bn, translating into an effective tax rate of 48.8% compared to 51.5% for the prior year. Resultantly, profit after tax for the year amounted to PKR 51.8 Bn i.e., 70.5% higher than PKR 30.4 Bn for 2022.

Maintaining its leading market position, the Bank achieved **PKR 6.5 TRILLION** milestone in its balance sheet that grew 27% to reach PKR 6,652.7 Bn from PKR 5,240.4 Bn at the end of 2022. This makes NBP the largest Bank in Pakistan in terms of total assets. While investment (cost) increased by 25.2% to reach PKR 4,393.9 Bn, gross advances recorded 13.4% growth to reach PKR 1,631.7 Bn depicting an advances-to-deposits ratio at 44%. With a nationwide well-diversified market outreach, the Bank maintains a strong funding and liquidity profile. At the year end, total deposits amounted to PKR 3,674.4 Bn being 37.8% higher than PKR 2,666.2 Bn at the end of

2022. Major share of the Bank's deposits comes from sticky customer deposits that contribute 86.2% of the total deposits. With current deposits amounting to PKR 1,970.5 Bn or 54% of total deposits, the Bank maintains a strong liquidity profile. While CASA ratio stood at 79%, Liquidity Coverage Ratio and Net Stable Funding Ratio also remained high at 176% and 259%, respectively against a regulatory requirement of 100% for each.

The Board deliberated at length whether or not cash dividend should be recommended. However, the likely impact of the pension case and other contingencies, still remains a cause of concern for the Board. Accordingly, the Board considered it prudent to retain the profits for the time being and once the position becomes clearer, the Bank may consider declaration of dividend at a later stage. With high profits retention, the Bank's total eligible capital stood increased at PKR 376.7 Bn, depicting a PKR 70.5 Bn or 23.0% increase YoY. Consequently, total capital adequacy ratio improved by 388 bps to 25.47% from 21.59% at YE'22. The Bank enjoys highest credit ratings of AAA / A1+ for both long term and short term respectively as reaffirmed separately by both PACRA as well as VIS Credit Rating Company in June 2023.

Providing insights into the yearly performance, Mr. Rehmat Ali Hasnie, the President/CEO of the Bank, expressed that the outstanding strategic execution and financial outcomes underscore the commitment and dedication exhibited by the Bank's workforce in serving the nation during challenging periods. The Bank is actively engaged in substantial organizational and technological transformations, augmenting product suite, embracing digitalization, and launching initiatives to foster financial inclusion, particularly emphasizing SME, commercial and rural sectors. Simultaneously advancing its business growth endeavours, the Bank is dedicated to addressing legacy issues through ongoing remediation efforts.

As **the Nation's Bank**, going forward, NBP's strategy focuses on enhancing its service quality levels, diversifying its outreach through digitalization, and increasing its products and services suite.

### **Financial Control Group**

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