



Profit After Tax of PKR 28.0 Bn 28% Balance Sheet Growth; 7% in Net Assets

Karachi, March 08, 2022 – The Board of Directors of National Bank of Pakistan “NBP” “the Bank” met today to review the financial performance of the Bank and approve the audited financial statements of the Bank for the year ended December 31, 2021.

The Board observed that during 2021 the Bank has delivered strong performance in pursuit of its vision to be the Nation’s leading bank enabling sustainable growth and inclusive development. Despite a civil penalty of PKR 9.8 Bn imposed on the US operations, the Bank reported profit before-tax of PKR 52.9 Bn and after tax profit closed at PKR 28.0 Bn.

With net interest income of PKR 97.6 Bn and non-fund income of PKR 36.9 Bn, total revenue for the year 2021 closed at PKR 134.6 Bn. Despite high inflationary pressures, total administrative expenses dropped by 5% during 2021 to close at PKR 60.0 Bn. Also, loan loss and other provision charges reduced by 61% to close at PKR 11.9 Bn. Despite a civil penalty of PKR 9.8 Bn imposed on the Bank’s US operations, profit before tax amounted to PKR 52.9 Bn - highest ever in the history of the Bank. As the Bank is observing effective cost controls, operating expenses (excluding the penalties) for the year 2021 amounted to PKR 59.7 Bn which is 5% lower YoY as compared to PKR 62.8 Bn for the year 2020. Thus cost-to-income ratio (*excluding extraordinary item*) reduced to 44.6% in 2021. Total provision charge for the year 2021 amounted to PKR 11.92 Bn, significantly lower by PKR 19.0 Bn or 62% vs PKR 30.9 Bn for 2020. Profit after tax closed at PKR 28.0 Bn reflecting a YoY drop of 8.3%. With PKR 74.4 Bn in after-tax profits during the last three years, the Bank’s net assets stand increased from PKR 206.9 Bn at end 2021 to PKR 286.2 Bn translating into PKR 135 per share against PKR 97.2 at the beginning of 2019. Strengthening its balance sheet, the Bank created loan loss provisions of PKR 48.9 Bn over the last three years. These results have been delivered despite multiple challenges and headwinds amidst the Covid-19 pandemic and a significant drag due to non-payment of mark-up in certain legacy public-sector non-performing loans and the Covid-19 related flexibility and repayment relief provided to customers in need.

The balance sheet of the Bank reached PKR 3.85 Trillion compared to PKR 2.80 Trillion in early 2019. Only in 2021, YoY growth was high at 27.9% as the Bank achieved the PKR 3.0 Trillion milestone in deposits which increased PKR 600 Bn, of which 80% or PKR 477.4 Bn were customer deposits. CASA ratio stood high at 82%. As the Bank pursued a prudent and selective loan growth strategy, net advances recorded a 13.2% growth YoY to reach PKR 1.1 Trillion at the end of 2021. The Bank maintained strong funding and liquidity levels through a diversified funding portfolio. At the end of 2021, the Bank’s liquidity coverage ratio stood at 164% (2020:180%), and the Net Stable Funding Ratio stood at 278% (2020:256%) well above the statutory minimums of 100%. At the end of 2021, CET-1 ratio and Total CAR stood at 15.42% and 20.39%, respectively - the highest capitalisation level in the Bank’s history. The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively as reaffirmed by both PACRA and VIS Credit Rating Company.

NBP’s Islamic Banking is operating a network of 189 branches throughout the country. Islamic Banking continues to focus on Commercial and SME businesses by expanding trade hubs to provide ease of service to these segments. While end of year deposits grew by 13% YoY to PKR. 84.8 Bn as of

Dec '21 from PKR 75.3 Bn as of Dec '20. Average, CASA deposits increased by 26% to close at PKR 67.4 Bn

The Bank has made significant progress during 2021 in organizational transformation, product digitalization and initiatives for promoting financial inclusion with a focus on commercial and rural segments. In parallel with business growth initiatives, the Bank has continued to progress with the remediation of legacy issues in the area of Risk, Asset Quality, Operational Effectiveness, International Franchise and HR.

As part of its ongoing efforts to strengthen the internal controls and compliance environment, in late February 2021, the Bank reached consent agreements with the Federal Reserve Bank of New York and the New York State Department of Financial Services, the US regulators of NBP's New York branch. These agreements included civil penalties totalling PKR 9.78 Bn (US\$ 55.4 Mn) focused on historical compliance program weaknesses and delays in making compliance-related enhancements initially identified in 2014. Whereas, there were no findings of improper transactions or wilful misconduct. The New York branch has been under new management since May 2020 and has substantially enhanced its compliance program. The U.S. regulators have recognized the many positive changes resulting from new management. The National Bank of Pakistan and the New York branch are fully committed to satisfying the regulators' expectations

Despite the economic challenges amidst the Covid-19 pandemic, the Bank has maintained its financial performance momentum across all business fronts during 2021. The Bank's financial results suggest its refreshed strategy is working well and has been validated despite the stress the banking industry has experienced over the last two years.

During 2021, NBP won multiple awards from international and local publications/platforms. These include, among others, Best Bank for Agriculture Award, Corporate & Investment Bank of the Year – Pakistan, Corporate Client Initiative of the Year – Pakistan, Debt Deal of the Year – Pakistan, Project Infrastructure Finance Deal of the Year – Pakistan, Project Finance House of the Year for the year, Best Trade Finance Bank in Pakistan for 2021 and Best Corporate Reporting Award – 2021.

Overall, NBP has made considerable progress on its strategy across its consumer and institutional businesses and for playing its systemically important role in the economy while maintaining a strong and resilient balance sheet to deliver performance for shareholders. The Bank's Inclusive Development initiatives also recorded satisfactory results with focus on priority sectors including Agri, SME, Women, CSR and G2P initiatives. Under the Government's Low Cost Housing initiative, NBP stands No.1 in terms of number of loans disbursed to 1,000+ families. This year, our Islamic Banking franchise, achieved PKR 100 Bn milestone of total assets (2020: PKR 89 Bn) while diversifying its product suite by introduced e.g. PayPak Debit Card, Hamsafar Auto Finance, SBP Micro Payment Gateway (Raast), etc.

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