



Strong Performance in Difficult Times **Profit after Tax of PKR 7.7 Billion; 87% higher, YoY.**

Meeting of the Board of Directors of the NBP “the Bank” was held on April 28, 2021 to approve the financial statements of the Bank for the three-months period ended March 31, 2021. The Bank has delivered strong financial results, demonstrating resilience of its business model and efforts of its workforce in serving the Nation and working with the Government towards swift economic recovery in the country.

For the quarter ended March 31, 2021, the Bank declared a profit before tax of PKR 12.6 bn; whereas profit after tax closed at PKR 7.7 bn, 87% up, YoY. The Bank’s earnings per share increased from PKR 1.94 in Q1 ’20 to PKR 3.62 in Q1 ’21. Net profit translates into after-tax Return on Average Assets and Return on Average Equity at 1.0% and 15.7%, up from 0.5% and 10.0% in Q1 ’20, respectively.

Given the significant drop in the policy rate as compared to the same period last year, gross mark-up/interest income was PKR 48.5 bn being 33.2% lower, YoY. Likewise, the interest/mark-up expense also dropped by 52.0% at PKR 26.9 bn. Consequently, net interest/mark-up income of the Bank stood at PKR 21.6 bn, i.e. 30.3% higher, YoY. Despite the subdued economic activity during the year, non-mark-up / non-interest earning of the Bank closed 2.4% higher at PKR 8.5 bn (Mar ’20: PKR 8.3 bn). Accordingly, total revenue of the Bank was 21.0% up YoY at PKR 30.1 bn (Mar ’20: PKR 24.9 bn). Administrative expenses remained controlled and recorded a marginal increase of 3.8% YoY to close at PKR 14.3 bn. Cost-to-income ratio of the Bank improved to 47.7% from 55.5% in Q1 ’20. During the year, NPLs of the Bank increased by 6.6% to close at PKR 182.5 bn (Dec’20 : PKR 171.3 bn). Proactively moving from ‘incurred’ to ‘expected’ credit loss model, the Bank created provision charge of PKR 3.11 bn to make its balance sheet more resilient in the prevailing circumstances.

On the balance sheet side, the Bank’s capital discipline has improved its Common Equity Tier 1 capital ratio to 16.50% (Dec’20 :14.99%) and Total Capital Adequacy Ratio to 21.91% (Dec’20:19.78%). This capital position enables the Bank to absorb shocks in the foreseeable future and leverage emerging opportunities to create value for its shareholders. The Bank’s liquidity and net stable funding ratios improved to 156% and 256%, respectively. Net Assets at end March ’21 stood at PKR 269.8 bn, translating into break-up value per share at Rs. 126.8, which is 30% up from Rs. 97.2 at end 2018. The Bank’s end of year total assets closed at PKR 3,340.3 bn i.e. 11.0% higher than PKR 3,008.5 bn level of the year end 2020.

The Board’s efforts and strategy has recently been focussed upon strengthening the Bank’s balance sheet, inducting a team of professionals with the required expertise, developing effective framework of policies and controls to protect the Bank, and building a corporate culture based on performance and accountability. Material progress has been made in each of these key areas. In recent years, the Bank has continued to retain earnings and over 2019 and 2020 these retained earnings amount to PKR 46.4 bn. Over and above this, after identifying and dimensioning the contingencies facing the Bank, provisions for a total of around PKR 60.0 bn were created over the same period to cover potential portfolio losses, significant HR related exposures and operational vulnerabilities. Thus, the Bank’s balance sheet has been reinforced considerably by about PKR 100 bn during last two years.

The Bank is executing a post-crisis recovery strategy to continue playing its systemically important role in the economy, while also maintaining a strong and resilient balance sheet to deliver performance for shareholders. For the year 2021 & beyond, the Bank’s business strategy will continue to focus on financing and supporting underserved sectors including SME, Microfinance, Agriculture Finance and the PM’s Low-Cost Housing initiative on a priority basis.

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