



PRESS RELEASE

JCR-VIS Reaffirms Ratings of National Bank of Pakistan at AAA/A-1+

Karachi, July 27, 2012: JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the entity ratings of National Bank of Pakistan (NBP) at 'AAA/A-1+' (Triple A/A-One Plus) with 'Stable' Outlook.

The credit ratings assigned to NBP take into account standalone financial strength of the bank as reflected by market share of 13.7% in terms of domestic deposits at end-Dec'11, adequate liquidity and capitalization levels. Ratings also incorporate the sovereign ownership of the bank, the outstanding guarantee of the Government of Pakistan (GoP) as security against deposits and the bank's status as treasury to the GoP.

Over FY11, there have been changes in the investment mix, with the conversion of loans and TFCs into more liquid government securities. Moreover, depositor concentration has also improved on a timeline basis. The bank also holds a sizeable amount of public sector deposits.

Contrary to the industry trends wherein the banks have consolidated their loan portfolios, NBP has depicted growth in lending activities. Growth was manifested in the corporate and consumer loan book. Some of the exposures in the corporate portfolio pertain to public sector entities, where cash flows have come under stress though the management draws strength from either the presence of sovereign ownership or explicit sovereign guarantee. Delinquencies in the retail segment have been recorded on the lower side. Moreover, a large proportion of these loans are secured with adequate collateral to minimize loss given default. Going forward, spreads may reduce, given the increase in minimum profit rate on saving products to 6%.

While delays have been witnessed in implementation of the core banking application, the bank has continued its program of "Online Connectivity Services for Network Enhancement." Of the bank's 1,277 domestic branches, more than 1,250 branches are currently online.

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