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Lively performance of National Bank of Pakistan

By Umar Latif

Performance, profit and its distribution by the National Bank of Pakistan (NBP), for its 64th year ended December 30, 2012, gives a pleasant surprise to all interested in work sheet of the banking sector. No doubt, this vital financial sector has been sailing in stormy waters since long. Extended economic turmoil, for several cogent reasons of it, external threats and internal uncertainties, tend to make the financial sector perceptibly vulnerable. Policy portrait for this sector has been in flux for want of pragmatic monetary management policy and pursuits. In this surrounding, all the banks have been hit, some more others by collateral impact. None is saved from, big five banks getting bruise, not bright horizons. In this complex situation, not supportive in surge, top to bottom lines, reviewed with care and in backdrop of the ground realities influencing general outcome, NBP carries the flag of reasonable success. This refers to overall competitive thrust possessed perfectly by it. In Pakistan, during the fiscal year 2012, 38 banks were functional, of course a large number, keeping in view the size of economy and squeeze on it over the decades, denoting decline due to the country being front line state in perplexing war flare in the neighbouring country of Afghanistan. Unsettled overall conditions made inroads over the economic situation. Banks survival and thrive depend primarily on peace time economics and offer opportunities to utilise funds effectively, efficiently. Such a supportive situation has not been a reality in our milieu since long time, at least for about two decades at a stretch. The performance parameters of the NBP underline material success, by measures of increase in earning and lacing it with creamy reward to the shareholders. It writes a story of success and figures make a milestone, on being material and realistic measure of success. That is the story of the NBP, about its latest operating outcome, for the year 2012. NBP is one of the five public sector commercial banks and among them it is in the lead position having over 1,285 branches, of the aggregate of the public sector being 1,748 branches network. Within the 38 banks in all, it is second in branch strength. So, it is fairly widespread, strategic as it can be assessed by its latest performance results. This leaves little doubt about having pragmatic policy portrait and positive pursuits, a happy hallmark. Being one of the biggest banks, both opportunities and problems tend to be of high pole bar to cross, to put proverbially. In the situation prevalent for too long time to afford, results reflect and so do retain refreshing test, not scratching confidence, but solidifying it. NBP has one more recognisable hat in wear. It has been its ranking among the big five banks of Pakistan. Core business of the commercial banks, is business and industrial financing. It has not been on the rise but

back foot. This has been evident from nominal six percent sparks to Rs 88.30 billion. In comparison with the year 2011 rolling in profit was increased by 20 percent, the latest year presented an overall retreat. However, pretax profit of the leading group of five banks increased by a token of two percent. Lower the business load, lower was the stress of (making) provision on non-performing loans. This did absorb increase, a routine, in administrative expenses. This tends to be the compelling factor for the banks, like any other business, to strive for absorbing increasing this year or year stress and have more in kitty for the stake-holders, have and equitable and reasonable claims.

As many as 22 private sector banks, five fighting fit; seven foreign banks floating new schemes to attract borrowers for business increase, and four specialised banks have been a challenge, more so for the public sector banks, not usually preferred by micro and macro-economic activities more vividly and expanded too in the private sector to have clientage coordination with this sector. Alternatively, with constraint to concentrate on the public sector projects posed more problems. As major among them have been on sick list for long time and were simply swallowing good money in fresh lending, chasing the bad money. In this tight situation, working by the NBP, being the major source of lending to state enterprises, turnout to be a tough choice in time measure and in it to steer out of trouble is indeed a planned and poised portrait of dealing business as business. Of course, banks business, as its trait feature points out, is business and it seems to have been secured, as a well-groomed and guarded effort, in line of success achieved.

Of course, sailing in stormy surrounded situation and get to safe soil is a task Herculean. The NBP management during the course of the year, with pragmatic imagination, evolved and introduced two new schemes. The one has been to provide loans against collateral of gold and get the same on retirement of debt. This means to have access to funds and at the same time have own gold well secured, safe. Gold prices have in general been on rising scale and the interest rate has been reduced by 2.50 percent during the review year and about five percent in the past two years, it has become a good gain for borrowers against gold placement. This scheme seems to have given grand relief to the borrowers in need, at the same time NBP to utilise its funds in remarkable social service, while the business was on the backtrack in borrowings from the banks for its operations, being on decline due to hugely adverse economic, social and political conditions, continuously on desperate decline, giving diminishing returns for the business and so the banks.

Another interesting, imaginative scheme floated by the bank has been to provide public servants with facility to borrow against their salaries, in time of hardship. The NBP arranged security of its funds with the government by access to repayment as to schedule. This carried triple benefits, one the government relieved to arrange extra funding for temporary extra lending to its personnel in hardship but have a source to depend for timely support and have honor protected from seeking support from others, difficult to get it in grinding giving situation and the NBP utilising its surplus funds in social service with steady, secured return on it. Both the schemes have proved their worth in economic plus social good, a service to admire and the competitors to have envy of it.

The end-result of it has been salutary in effect, for the government, the major stakeholder and the shareholders from the public, in the NBP as investment outlet. The bank has come out with lucrative cash dividend payment, at Rs 7 per Rs 10 per share, which works out hefty 70 percent, really rewarding. It is further laced with 15 percent stock dividend, in other words bonus shares. Its Rs 10 face value share being quoted in five multiple ensuring premium, the aggregate return becomes exceptionally good, more particularly in the fold of the public sector enterprise, in the

gory situation starkly dark when key units in this sector were losing money, wasting resources mercilessly. Very attractive dividend by the NBP is not going to impair its financial strength, though the dividend payout forms hefty 97.20 percent of the after-tax earnings. The government being the major stakeholder, its dividend to be retained as part of the recovery of the loans extended, it will provide funds. Likewise, 15 percent stock dividend will also retain cash resources. This means cash payout will be seventy percent of the surplus and sizeable re-input would be in form of repayment of debts taken by the government and its protégés. So, in nutshell, a concluding comment, it is the note of satisfaction that the NBP shall remain in fine float and the management's firm act of liberal dividend payout reflects its confidence, courage, devotion etc to remain on track of fine float, find gratifying schemes with vision and vitality to follow in firm, if not fantastic flavour. Have happy time with the NBP.

The writer is a shareholder of NBP