

Date

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Analyst

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Applicable Criteria

- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-23
- Methodology | Financial Institution Rating | Oct-23
- Methodology | Rating Modifiers | Apr-24

Related Research

- Sector Study | Commercial Banks | Jun-24

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PACRA Maintains the Entity Ratings of National Bank of Pakistan

Rating Type	Entity	
	Current (22-Jun-24)	Previous (23-Jun-23)
Action	Maintain	Maintain
Long Term	AAA	AAA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

The National Bank of Pakistan (NBP) displays exceptional strength in the domestic commercial banking sector, underpinned by its solid financial risk profile and a substantial share of the national deposit base. Its robust risk absorption capacity and systemic importance significantly support its high ratings. The ratings are also driven by a strong ownership structure (the Government of Pakistan (GoP) holds a majority stake). NBP's extensive domestic franchise and deep customer penetration secure its position as the second-largest bank in terms of advances and deposits. The bank has further solidified its system share which increased to 12.6% (CY22:11.7%) in terms of deposits and marked growth of 78.8% in CASA deposits; Total deposits at PKR 3.67trln are up by 37.8% over the last year. During CY23, the bank reported a Profit after tax of PKR 51.8bln (CY22: PKR 30.4bln): mainly attributed to an increase in net markup income by 44.4%, amounting to PKR 168.7bln. This impressive growth was predominantly fueled by a significant rise in returns from the bank's advances and investments. However, it is noteworthy that the net profit margin decreased by 1%, reaching 5.05% (CY22: 6.04%). This decline in net profit margin, despite the substantial increase in profit, suggests that rising Interest expenses, operating costs and provisioning expenses impacted overall profitability, the bank may need to focus on cost control measures and operational improvements to enhance its net profit margin and ensure sustainable growth. The advances portfolio grew by 13.6% to PKR 1,398bln, indicating strong lending activity (majorly in Oil & Gas, Power and Textile). However, there was a notable increase in non-performing loans (NPLs), rising to PKR 220.8bln (CY22: PKR 205.3bln). The Bank has provided sufficient bank loan loss coverage of 105.8% (CY22:101.3%), indicating strengthened provisions against potential credit losses. The bank increased its investments by 26.6% to PKR 4,403.3bln underscoring a strategic allocation towards government securities, particularly floater PIBs with relatively short duration. These securities constitute 95.2% of its investment portfolio. Overall, the liquidity profile is comfortable with sound liquid asset coverage to deposits and borrowings. In terms of absolute equity, the Bank stands at the first position in the industry. As of Dec'23, the Bank's CAR stood at 25.47% (CY22:21.59%). On the Islamic banking side, NBP Aitemaad's balance sheet footing increased by ~28% during CY23 with total assets standing at PKR 140bln. NBP Aitemaad offers the entire spectrum of banking products, from large-ticket corporate deals to retail deposits and consumer finance.

The bank is currently dealing with a litigation matter related to its pension plan, which is being actively managed. The Board is committed to resolving this longstanding issue. The modalities and entitlements are under consideration, in case the matter is decided unfavorably the bank estimates the net financial impact within a manageable range.

While the bank demonstrated significant revenue growth through effective management of its assets, maintaining or improving profit margins will be crucial for sustainable financial health in the future.

About the Entity

National Bank of Pakistan (NBP), Pakistan's second largest public sector commercial bank, operates over 1,508 branches domestically and 18 branches internationally as of Dec'23. Majority-owned by the Government of Pakistan through the State Bank of Pakistan, NBP manages approximately 13% of the country's total deposits and plays a key role in government treasury operations. Mr. Rehmat Ali Hasnie, with over 27 years in Investment Banking and Risk Management, is the CEO/President since May 2022.

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