

# NATIONAL BANK OF PAKISTAN

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**Presently**, National Bank of Pakistan (NBP) is one of the largest commercial bank operating in Pakistan. It has redefined its role and has moved from a public sector organization into a modern commercial bank. The Bank's services are available to individual, corporate entities and government. While it continues to act as trustee of public funds and as the agent to the State Bank of Pakistan (in places where SBP does not have presence). It has diversified its business portfolio and is today a major lead player in the debt equity market, corporate investment banking, retail and consumer banking, agricultural financing, treasury services and is showing growing interest in promoting and developing the Pakistan's small and medium enterprises and at the same time fulfilling its social responsibilities, as a corporate citizen.

In competitive business environment, NBP needed to redefine its role and shed the public sector bank image, for a modern commercial bank. It has offloaded 23.2 percent share in the stock market, and while it has not been completely, privatized like the other three public sector banks, partial privatization has taken place.

NBP is a progressive, efficient, and customer focused institution. It has developed a wide range of consumer products, to enhance business and cater to the different segments of society. Some schemes have been specifically designed for the low to middle income segments of the population.

The Bank has implemented special credit schemes like small finance for agriculture, business and industries, administrator to Qarz-e-Hasna loans to students, self employment scheme for unemployed persons, public transport scheme. The Bank has expanded its range of products and service to include shariah compliant Islamic banking products. For the promotion of literature. NBP recently initiated the annual awards for excellence in literature. The Bank is also the largest sponsor of sports in Pakistan. It has provided generously to philanthropic causes whenever the need arose.

The Bank has taken various measures to facilitate over-seas Pakistan to send their remittances in convenient and efficient manner. During 2002, the Bank signed an agreement with Western Union for expanding the base for documented remittances. More recently it has started electronic home remittances project. This project introduces technology based system to handle inward remittances efficiently, by ensuring that the Bank's branches keep a track of the remittance received from abroad till its final receipt. The Bank has been signing different agreements with other leading players in the remittance field for ensuring that remittance services are available to most of the overseas Pakistanis.

A number of initiatives have been taken, in terms of institutional restructuring, changes in the field structure, in policies and procedures, in internal control systems with special emphasis on corporate governance, adoption of capital adequacy standards under Basel II framework, in the up-gradation of the IT infrastructure and developing the human resources. National Bank of Pakistan has built an extensive

branch network with over 1,297 branches in Pakistan and operates in major business centre abroad. The domestic branch network has been automated and is online. The Bank has representative offices in Beijing, Tashkent, Chicago and Toronto. It has agency arrangements with more than 3,000 correspondent banks worldwide. Its subsidiaries are Taurus Securities Ltd, NBP Exchange Company Ltd, NBP Capital Limited, NBP Modaraba Management company Ltd and CJSC Bank, Almaty, Kazakhstan. It has also opened a subsidiary in Dushanbe, Tajikistan.

The Bank's joint ventures are, United National Bank (UK), First Investment Bank and NAFA, an Asset Management Company.

During 2012, the Bank posted after tax profit of Rs16.1 billion compared to Rs17.6 billion of last year. The decrease in owing to pressure on net interest margins, higher administrative expenses and conservative provisioning charge. Net interest income was decreased by 6.7 percent due to reduction in discount rate by 4.5 percent during last 15 months and increase in the minimum profit rate on deposits from 5 to 6 percent. Pre-tax return on equity stood at 20.5 percent, per tax return on assets at 2.0 percent while cost to income ratio is at 0.53. Capital adequacy ratio remained healthy at 16.5 percent. The Bank's total deposits increased by Rs110 billion or 12 percent, while advances increased by Rs132 billion or 25 percent. Despite this sharp increase in advances, the non performing loans (NPLs) remained at the same level as last year. NPL to gross advances ratio improved 12.2 percent as compare to 14.9 percent in 2011. Total assets increased by Rs159.8 billion or 14 percent to Rs1.31 trillion.

The core revenue from fee based business increased by Rs1.1 billion or 12 percent mainly due to higher commission income and advisory fee. The Bank focused on selling ill liquid stocks and continued to build up high yield dividend stock in its shares portfolio. Dividend income doubled to Rs3.6 billion in 2012 from Rs1.7 billion during 2011 due to higher dividends from mutual funds. Administrative expenses increased by Rs.5.6 billion or 19 percent, staff cost being the major contributor to the increase. Other administrative expenses increased mainly due to inflation, tariff hike in utilities, advertisement and higher technology related expenses. Provision charge against advances was higher due to conservative approach towards provisioning. Provision against investment decreased mainly due to improvement in stock index.

## FUTURE OUTLOOK

It is estimated that the management of the Bank will emphasize on reducing administrative and manpower cost, reduction in NPLs, increase consumer advances, capturing more trade business and expansion of branch network etc in the future.