

NBP: a 24-carat bank by any touchstone

Saudi prince sets sights on re-branded entity with best financial and efficiency ratios

By Ibrahim Khan

KARACHI: The National Bank of Pakistan (NBP), which clocked up a startling 48 per cent jump in the net income in 2004, stands out tall among the banking boutiques on the golden mile of the country's financial capital frequented by billionaires in quest of their wealth's security and rapid growth.

In search of a haven, where they could safely park their money with a genuine promise of a continued high return, the NBP provides an instant answer to the billionaires and other moneyed people, who are inspired by its totally new dazzling brand in orange and green, which has given the Midas touch to the bank's fortune, now on a road to an enormous prosperity.

On the periphery of the confidence-generating industrial logo, stands out its inspiring re-branded "NBP", which coruscates the un-



NBP President Syed Ali Reza

derlying theme of a good corporate governance, best practices, trust-worthy banking, vision, mission, strategy, innovation, progress, elephantine strength, personal care, speedy growth, self-confidence and world-class recognition at its 23 overseas operations

in the United States, Canada, France, Germany, Japan, China, Hong Kong, South Korea, Bahrain, Egypt and Bangladesh.

In the capital market of Pakistan, the bank's Rs10 share skyrocketed to mind-boggling Rs164, the zenith at the Karachi Stock Exchange (KSE) for any commercial bank, in March 2005 because of its in-built fundamentals, enormous earning capacity and future growth potential.

The bank's first offer for sale was over-subscribed by six times, the second offer for sale four times over-subscribed at a premium of Rs11 per share and the third offer for sale two times over-subscribed at a premium of Rs36 per share. The bank has announced a 15 per cent final cash dividend and 20 per cent bonus shares for its shareholders for the period ended December 31, 2004.

The year 2004 was a remarkable year in the history of the bank

Financial Performance

	1999	2000	2001	2002	2003	2004
Total Assets - Rs in Bn	350	372	415	433	469	550
Deposits - Rs in Bn	295	316	350	363	396	466
Gross advance - Rs in Bn	140	159	196	166	189	250
Profit before tax Rs in Bn	0.520	1.032	3.016	6.045	9.009	12.025
Pre-tax return on Assets (%)	0.2	0.3	0.8	1.4	2.0	2.4
Pre-tax return on equity %	5.2	9.5	25.8	46.1	55.6	55.4
Cost/Income Ratio	0.55	0.62	0.52	0.50	0.39	0.39
Earning per Share- Rs	0.21	1.24	3.08	5.49	8.53	12.68
Capital adequacy (%)	10.84	11.46	10.52	13.41	11.65	12.80

Gross advances (Public/Private)

	Public Sector	Private Sector	Total	Ratios
1999	65	75	140	47:53
2004	52	198	250	21:79

when making provisions for Non-Performing Loans (NPLs) was reduced by record amount of Rs962.999 million thus showing the otherwise improved recovery levels of the loans.

For the 2004 year the total earmarked amount of NPLs went down to Rs1789.498 million whereas during the same period of

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2003 the total amount of provisions with regard to loan losses was Rs2652.497 million.

The net profit of the bank which was Rs4198.103 million went up by Rs2044.826 million to Rs6242.929 million after paying record amount of Rs5782.229 million to federal taxation authorities.

Bank earnings, based on core banking increased by Rs1577 million to Rs14387 million and earnings from non-mark up operations also went up by Rs1126 million to Rs8394 million. According to accounts the basic or diluted earnings per share of the bank during the period of 2003-2004 went up from Rs8.53 per share to Rs12.68 per share.

One prominent dealer at the KSE told The News that a Saudi prince had shown keen interest in the NBP, which is the only Pakistani Bank included in the "Top 100 Banks of Asia" by Euromoney UK and which bagged prestigious awards The Bank of the Year 2001, 2002 and 2004 by the world

renowned "The Banker Magazine" Financial Times Group, UK. The NBP also got the Best Foreign Exchange Bank in Pakistan by "Global Finance Magazine" March 2004 and which was adjudged the Bank with the highest Return on Capital in Asia and No.8 in the world by "The Banker Magazine" July 2003.

The dynamic figure behind all these visions, missions, strategy and achievements is the country's top banker, Syed Ali Reza, President and Chief Executive Officer, who took over in July 2000 and firmly believes in the development of niche marketing.

Commenting on the performance, the President told The News the re-branded NBP wanted to be the pre-eminent financial institution in Pakistan and achieve market recognition both in quality and delivery of service as well as the range of product offering.

"The bank was gearing up to exploit universal banking capability," said Reza, who was the first Pakistani to be appointed as the Country Manager for Pakistan by the Bank of America in 1988. He was also the first Pakistani to be appointed Regional Manager Middle East, North Africa and Pakistan in 1997.

Gross advances by Sectors

	2002	2003	2004
	Rs in Billion		
Consumer loans		8	28
SME		10	25
Agriculture	20	7	10
Commercial		8	15
Other		8	10
Corporate	46	64	89
Commodity	30	14	10
Overseas	26	26	28
Total advances	166	189	250
NPLs as % of total advances	26.3	21.1	14.4
Cash coverage % for NPLs	58.9	69.6	80.50

Peer Group Comparison-2003

	NBP	*HBL	UBL	MCB	Avg. of peer	NBP Better than Peers' Avg. by:
	Rs in Billion					
Assets	469	435	217	272	308	52%
Pre Tax Profit	9.0	5.5	4.3	3.6	4.5	100%
Cost/Income Ratio	0.39	0.46	0.54	0.55	0.51	24%
Return on Asset - Pre tax (%)	2.0	1.3	2.2	1.4	1.6	25%
Return of Equity- Pre-Tax (%)	55.6	37.7	46.3	51.5	45.2	23%
EPS (after tax in Rs)	8.53	1.99	5.09	6.61	4.56	87%

*Consolidated

NBP Share Performance

Date	Market Rate (Rs)	Market Capitalisation (Rs in million)
Feb. 2002	10.00	3,730
Dec. 31, 2002	28.25	10,537
Dec. 31, 2003	54.20	22,238
Dec. 31, 2004	80.35	39,564
Mar. 28, 2005	112.55	55,421

NBP Share Performance

Date	Market Rate (Rs)	Market Capitalisation (US\$. In million)
Feb. 2002	10.00	62
Dec. 31, 2002	28.25	176
Dec. 31, 2003	54.20	371
Dec. 31, 2004	80.35	659
Mar. 28, 2005	112.55	924

A new Matrix structure had been introduced, which separated the front and back office with special emphasis on corporate governance and enhanced internal controls, said Reza, who pioneered the first publicly traded TFC in Pakistan for a large local group in 1993. He also pioneered in taking the NBP to the US Capital Markets for a landmark commercial paper issue in 1995. He made Pakistan as

the hub for Bank of America's operations in the Middle East and Africa from 1997 to 2000.

He had developed a strategic plan outlining the next five-year road map of the NBP, said Syed Ali Reza, son of Syed Hashim Reza, one of the most brilliant top civil servant of Pakistan and who was selected for the Indian Civil Service (ICS) on the result of the competitive examination held in 1932.