

PRESS RELEASE

NBP EYES ENERGY FARM SECTORS

Karachi: After implementing core banking application, National Bank of Pakistan (NBP) now intends to prioritize financing energy (PKR 125 Billion) and agricultural sectors over the coming years. National Bank had successfully implemented core banking application in its main branch to provide 'superb' customer services, besides ensuring efficiency across the banking functions. "The NBP has launched core banking application to strengthen its internal banking system, facilitating its customers. After the successful launch of the main branch, the bank is planning to introduce core banking application in all its branches. According to the plan, core banking application will be implemented in 250 branches over the next four months. NBP has already completed a pilot project of online system and at present, with 1,300 online branches, the bank has become the largest bank with 100 percent online branch network." As the entire country is facing a serious crisis of energy followed by mounting circular debt, the bank is also planning to extend its financing to the energy sector. NBP "will finance energy-related project on top priority". "So far, some 10 energy projects had been initiated in the country, of which seven have been financed by the NBP. Of these seven, five have already commenced operations and two more are expected to become operational shortly. On the whole, as much as financing facility worth Rs 125 billion had been extended to the energy sector. Cut in key policy rate, 2012 was a difficult year for commercial banks because of persistent reduction in discount rates that significantly impacted the net interest income of all banks. Under a declining interest rate scenario, the bank was redefining its business model and at present, while most commercial banks were investing heavily in government securities, the NBP had effectively kept its fresh investment in government securities at a minimum level and was trying to fulfill the demand of the private sector." "The bank is planning to offset the impact of low interest rate by expanding (its investment) in high-yield and low-risk products, low-cost deposit mobilization branch expansion and a reduction in non-performing loans (NPL). Agricultural, advance salary and consumer gold are three main products of the NBP to facilitate masses, particularly people in rural areas, which had previously been deprived of banking facilities. A significant growth witnessed in agriculture and consumer loans over the past few years and at present, the NBP had the largest market share in terms of agriculture and consumer loans among domestic commercial banks. "Consumer loans, especially against gold, have grown by 51 percent whereas the growth in agricultural loans was 30 percent during 2012. Total agriculture and consumer loans stood at PKR 131 billion at the end of December last year. Many local banks preferred to invest in government securities, the NBP witnessed a significant growth in advances locally as well as internationally. With an increase of 25 percent, total advances grew to PKR 657 billion by the end of December last year from PKR 525 billion in



December 2011. NBP achieved a massive growth in lending to farmers: the bank achieved its target for this fiscal year by disbursing Rs 52 billion on account of agricultural credit disbursement during July-April of FY13. Providing details of the investment, "The (bank's) overall investment has surged to PKR 343.5 billion at the end of December last year, up from PKR 319.5 billion at the end of December 2011, the bank was planning to set up 55 new branches across the country, including 40 conventional and 15 of Islamic banking, focusing on rural areas. NBP decided to open more branches in less developed areas, instead of urban areas, Out of 40 branches, as many as 30-32 branches would be established in rural areas. Commenting on the bank's foreign operations, NBP currently had 29 overseas branches, bank was gradually expanding. NBP was planning to set up a branch in Sri Lanka to facilitate trade and industry. NBP would soon set up a branch in Russia, "The bank is also successfully operating as many as four branches in Afghanistan and six in Central Asian Republics, NBP was also revitalizing its Islamic banking operations. With the opening up of 15 new designated Islamic banking branches this year, the total number of such branches would rise to 23. Islamic banking was likely to provide new impetus to NBP's Islamic banking services, bank's home remittances services, NBP had aggressively extended its remittance correspondence base across the globe with the aim of facilitating overseas Pakistanis. Cumulatively, the NBP had struck agreements with 30 leading overseas remitting partners. Citing a major strategic move, NBP had created a separate independent group named Global Home Remittances Management Group in 2009 to focus on inward home remittances business, NBP was the leader in the home remittances business. The domestic farming sector actually needed loans worth PKR 750 billion annually, while nearly Rs 300 billion was being disbursed via formal banking channels, leaving behind a gap of PKR 450 billion "which is being filled by informal channels charging very high mark-up rates from farmers". NBP's farming sector disbursements witnessed a massive increase of 68 percent over the past two years.

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