

11 Annual Financial Performance Review FY13

11.1 Overview

For the financial year ended June 30, 2013, net profit of the Bank stood at Rs 233,782 million, showing 10 percent decrease compared to the profit of Rs 260,800 million in the preceding year. The decrease is mainly attributed to lower exchange gains on foreign currency exposures and portfolio income. **Table 11.1** gives a comparative summary of Bank's annual profit and loss account for FY13 and FY12.

Table 11.1: Summary Statement of Profit and Loss

(million rupees)

Description	FY13	FY12
Income		
Discount / interest /markup and/or return earned	250,756	236,277
Less: Interest/mark-up expense	7,593	11,338
Net discount / interest /markup and/or return income	243,163	224,939
Commission income	1,759	1,953
Exchange gain – net	6,703	42,828
Dividend Income	16,481	15,698
Other operating income/(loss) – net	(1,020)	9,033
Gross income	267,086	294,451
Other income (loss) – net	60	(124)
Total income	267,146	294,327
Expenditure		
Bank notes printing charges	5,635	5,690
Agency commission	6,344	5,954
General administrative and other expenses	22,307	20,160
(Reversal of Provisions) / Provisions	(922)	1,723
Less: Total expenditure- net of reversal of provisions	33,364	33,527
Profit for the year	233,782	260,800

11.2 Income

11.2.1 Net Discount / Interest / Markup and/or Return Income

The Bank earns discount income on its holdings of Market Treasury Bills (MTBs), whereas interest/markup and return is derived on the foreign and domestic financial assets held by the Bank.

The gross income under the head increased by Rs

Table 11.2: Interest/Discount/Return Income on Foreign and Domestic Assets

(million rupees)

Description	FY13	FY12
Interest/discount income on domestic assets	243,388	227,426
Interest/discount income on foreign assets	7,368	8,851
Total	250,756	236,277

14,479 million, posting an increase of 6 percent compared to the last year. The increase is mainly attributed to increase in quantum of lending as given in the **Table 11.2** and **Table 11.3**.

Interest/markup expenses are incurred on borrowings from International Monetary Fund, deposits of international organizations and foreign central banks. Expenditure under the head decreased by 33 percent as compared to previous year due to decrease in interest rate and decrease in payable to IMF.

11.2.2 Commission Income

The Bank drives commission income from management of instruments of public debt, MTBs, prize bonds, national saving schemes and Government securities as well as issuance of drafts and payment orders. The commission income during FY13 decreased by 10 percent and stood at Rs 1,759 million compared to Rs 1,953 million during the previous financial year.

11.2.3 Exchange Gain – Net

The net exchange gain/loss arises on Bank's foreign currency assets and liabilities. The exchange gain mainly arises due to depreciation of PKR vis-à-vis foreign currencies particularly USD and SDR. Specifically, the foreign currency assets of the Bank are mainly denominated in USD whereas the net foreign currency liability exposure is denominated in SDRs. Accordingly, the depreciation of PKR vis-à-vis USD results in exchange gain to Bank and vice versa, while the depreciation of PKR vis-à-vis SDR results in exchange loss and vice versa.

The net exchange gains amounted to Rs 6,703 million during the FY13 as against the income of Rs 42,828 million during the previous financial year marking drastic decrease of Rs 36,125 million. The decrease was mainly due to decline in exchange gain from foreign currency placements, deposits and other assets amounting to Rs 41,729 million, forward covers under exchange risk cover to Rs 13 million and exchange risk fee income to Rs 6 million; partly offset by decrease in exchange loss on payable to IMF amounting Rs 5,623 million during the current year from previous year (**Table 11.5**).

Table 11.3: Lending to Government, Banks and Financial Institutions

(million rupees)		
Description	FY13	FY12
Government securities	2,323,578	1,807,054
Overdraft /loans to Governments	24,468	48,842
Banks and financial institutions	304,828	293,399
Total	2,652,874	2,149,295
Yield on Treasury Bills	8.92 percent to 11.94 percent	11.63 percent to 11.93 percent

Table 11.4: Foreign Currency Reserves

(million rupees)		
Description	FY13	FY12
Investments	389,279	289,055
Deposit accounts	124,320	455,947
Current accounts	45,975	96,831
Securities purchased under agreement to resale	80,296	197,465
Unrealized gain / (loss) on - derivative financial instruments	2,312	(3,840)
Special drawing rights with IMF	85,246	91,334
Total	727,428	1,126,793

Table 11.5 Breakup of the Exchange Account

(million rupees)		
Description	FY13	FY12
Gain / (loss) on:		
Foreign currency placements, deposits and other accounts - net	25,856	67,585
Forward covers under Exchange Risk Coverage	6	19
Payable to the International Monetary Fund (IMF) and SDRs	(19,253)	(24,876)
Exchange risk fee income	94	100
Total	6,703	42,828

11.2.4 Dividend Income

The SBP holds the equity investments in banks and financial institutions. The breakup of dividend income on Bank's listed and unlisted equity investments as on June 30, 2013 are given in **Table 11.6**.

The dividend income of the Bank increased by Rs 783 million during the current financial year which is 5 percent higher than the income in the previous financial year.

Table 11.6: Dividend Income on Investments in Shares of Banks and Financial Institutions

(million rupees)		
Description	FY13	FY12
Listed	16,256	15,269
Unlisted	225	180
Other investments with holding less than or equal to 50 percent	-	249
Total	16,481	15,698

11.2.5 Other Operating Income/Loss - Net

During the year under review, the loss of Rs 1,020 million was recorded under this head against the gain of Rs 9,033 million in the previous financial year. Main component of Bank's net other operating loss includes loss on re-measurement of securities classified as held for trading; partly offset by gain on sale of investments, penalties levied on banks & financial institutions, license / Credit Information Bureau fee recovered etc.

11.2.6 Other Income / (Charges) - Net

The net income under this head was recorded amounting to Rs 60 million against the charges of Rs 124 million during the previous year. This change was mainly due to decrease in the amount against charges in allocation of Special Drawing Rights of IMF. Further, an income from foreign assistance program amounting to Rs 26 million was also recorded in the FY13.

11.3 Expenditure

The total expenditure (including provisions against impaired assets net of reversals) during FY13 amounted to Rs 33,364 million as against the expenditure of Rs 33,527 million during FY12, resulting a decline of 163 million. An analysis of main elements of Bank's expenditure is given as under:

11.3.1 Bank Notes' Printing Charges

During FY13, expense under this head stood at Rs 5,634 million compared to the expense of Rs 5,690 million during the previous year; resulting a decrease of 1 percent.

11.3.2 Agency Commission

Agency commission is paid to the National Bank of Pakistan (NBP) under an agency agreement on account of handling Government transactions and remittances on behalf of SBP. The expenditure on agency commission amounted to Rs 6,344 million as against the expenditure of Rs 5,954 million posting an increase of 7 percent over the previous year.

11.3.3 General Administrative and Other Expenses

The expenses under the head, inter alia, include employees' salaries and other benefits, retirement benefits and employees' compensated absences and other expenses mainly including depreciation, electricity & water charges, repairs and maintenance,

Table 11.7: General Administrative and Other Expenses

(million rupees)		
Description	FY13	FY12
Salaries and other benefits	7,638	7,595
Retirement benefits and employees' compensated absences	10,716	8,759
Other expenses	3,953	3,806
Total	22,307	20,160

legal and professional charges, travelling, postage and telephone charges, etc. A summary of the general administrative and other expenses of the Bank is presented in **Table 11.7**.

11.3.4 Provision / (Reversal of Provision):

At the end of FY13, the balance of net provisions against 'Doubtful Assets and Claims' amounted to Rs (922) million as compared to the net provision of Rs 1,723 million during the previous financial year.

11.4 Distributable Profit

A summary of the distributable profits of the Bank is presented in **Table 11.8**.

Table 11.8: Distribution of Profit

(million rupees)

Description	FY13	FY12
Net profit for the year	233,782	260,800
Transferred from the Reserve Fund	-	-
Total distributable profit	233,782	260,800
<i>Breakup of above:</i>		
Dividend	10	10
Transfer to reserve fund	-	-
Surplus profit transferable to the Federal Government	233,772	260,790
Total	233,772	260,790