

Foundation Alert

NBP: Analyst Briefing Key Takeaways

Event

- National Bank (NBP PA) held its conference call today to discuss 3QCY21 results and the future outlook of the bank. Following are the key takeaways of the briefing.

Impact

- To highlight, profitability of the bank clocked in at Rs7.6bn (EPS 3.55) in 3QCY21 (↓32/18% YoY/QoQ) taking cumulative PAT for 9MCY21 to Rs24.64bn (EPS 11.53, ↓6% YoY).
- Deposits during 9MCY21 increased by 5.5% YTD to clock in at Rs2.5tn. However, the bank continued to maintain high CA of 54.1%.
- Advances registered a growth of 3.3% YTD during 9MCY21 translating into an ADR of 40% whereas investments registered growth of 45.6% YTD to result in IDR of 84%.
- Asset quality has deteriorated mainly because of single borrower default, with infection ratio clocking in at 16.7%.
- On the back of suspended dividends and improved profitability, Capital Adequacy Ratio of the bank further improved to 22.2% from 20.1% in Dec'20.
- Interest earned/expense increased by 19/25% in 9MCY21, with NII decreasing by 9%. The decline in NII is because of rising interest rate and lag in asset reprising.
- Operating expenses increased by 5% for 9MCY1. Consequently, Cost/Income ratio increased by 5ppts to clock in at 48% in 9MCY21.
- Effective tax rate clocked in at 40% in 9MCY21.
- Management also shared the implementation of IFRS9 is expected to have no material impact on the profitability.

Outlook

- The stock is not in our formal coverage

Table 01: NBP - 3QCY21 Financial Highlights

	3QCY21	3QCY20	YoY	2QCY21	QoQ	9MCY21	9MCY20	YoY
Interest Earned	58,531	60,812	-4%	59,567	-2%	166,621	206,206	-19%
Interest Expensed	33,514	29,363	14%	33,718	-1%	94,120	126,171	-25%
Net Interest Income (NII)	25,017	31,449	-20%	25,849	-3%	72,501	80,035	-9%
Fee Income	4,228	4,394	-4%	5,438	-22%	13,764	13,708	0%
Dividend Income	1,304	261	400%	699	87%	2773	1281	116%
Foreign Exchange Income	2,236	721	210%	1822	23%	5011	3549	41%
Gain on Securities	1,291	3615	-64%	1540	-16%	5448	6944	-22%
Other Income	522	723	-28%	563	-7%	1534	3050	-50%
Total Non-Markup Income	9,581	9,714	-1%	10,062	-5%	28,529	28,532	0%
Share of Profit from Associates	-21	70	-130%	24	-188%	10	7	37%
Total Income	34,577	41,233	-16%	35,935	-4%	101,040	108,574	-7%
Non-Markup Expense	16,751	15,766	6%	16,668	0%	48,102	45,934	5%
Operating Expense	16,741	15,762	6%	16,647	1%	48,067	45,635	5%
Other Charges	10	4	151%	21	-52%	35	299	-88%
Profit Before Provisions	17,826	25,467	-30%	19,267	-7%	52,938	62,640	-15%
Provisions	5,136	7,645	-33%	3,901	32%	12,074	23,226	-48%
Profit Before Taxation	12,690	17,822	-29%	15,366	-17%	40,864	39,414	4%
Taxation	5,095	6,753	-25%	6,163	-17%	16,222	13,233	23%
Profit After Taxation	7,595	11,069	-31%	9,203	-17%	24,642	26,181	-6%
PAT Attributable to Shareholders	7,552	11,054	-32%	9,165	-18%	24,532	26,121	-6%
EPS	3.5	5.2		4.3		11.5	12.3	
Cost/Income	48%	38%		46%		48%	42%	
Effective Tax Rate	40%	38%		40%		40%	34%	

Source: Company Accounts, Foundation Research, November 2021

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.