Commercial Banks

NBP: 1HCY25 Management Call Takeaways

- NBP Bank Limited (NBP) held an investor briefing session to discuss the 1HCY25 financial results and provide key insights on the future outlook for the Bank.
- The Company reported 2QCY25 earnings of PKR 22.02bn (EPS PKR 10.35), compared to a loss of PKR 10.4bn (LPS PKR 4.87) in the similar period last year. On quarterly basis, profitability was up by +3%q/q during 2QCY25.
- The management highlighted that the Bank's total deposits increased by +22%y/y to PKR 4.7tn during 1HCY25. The bank's deposits market share stood at ~13% with 9+ customer base and 1500+ branches. The bank's CASA deposits also increased to 82.9% during 1HCY25 vs. 79.5% at year-end 2024. Moreover the bank's cost of deposits stood at 6.8% for 1HCY25.
- The bank's CAR stood at 27.28% for 1HCY25 well above the regulatory limit of 13%. The Bank has historically maintained a strong capital base with an increasing trend in CAR. The bank's higher CAR levels are expected to fuel further growth and lead to sustainable dividend payouts.

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Key highlights from management conference call

- The management highlighted that the Bank's total deposits increased by +22%y/y to PKR 4.7tn during 1HCY25. The bank's deposits market share stood at ~13% with 9+ customer base and 1500+ branches. The bank's CASA deposits also increased to 82.9% during 1HCY25 vs. 79.5% at year-end 2024. Moreover the bank's cost of deposits stood at 6.8% for 1HCY25.

- The Bank's investments portfolio increased by 9% reaching PKR 5.0tn. The management highlighted that the bank has a well-balanced fixed income portfolio. 65% of the bank's investment book is held in PIBs whereas T-Bills comprise ~28.7% of total portfolio. The duration of the investment portfolio is 2.75 years.

Analyst

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- The bank's CAR stood at 27.28% for 1HCY25 well above the regulatory limit of 13%. The Bank has historically maintained a strong capital base with an increasing trend in CAR. The bank's higher CAR levels are expected to fuel further growth and lead to sustainable dividend payouts. Moreover, the bank's leverage ratio stood at 3.72%.

- Gross advances declined by 5% YTD to PKR 1.58tn while the yield on advances stood at 11% during 1HCY25. The Bank's loan loss coverage ratio also increased to 95% compared to 72% at year-end 2024. The management also highlighted that it remains the largest provider of loans in agriculture with loan book of PKR 120bn.

- The management also highlighted that the bank is also working on the digital transformation of the bank with growth in ATM/Card usage. The bank currently has 1500 ATMs and holds 10% market share of Pakistan's ATM transactions.

- With regard to dividends, the bank stated that it does not plan to remain overcapitalized and anticipates announcing a prudent payout. However, the final decision will be made by the Board. Moreover, in accordance with NBP act, dividends may only be declared alongside the year-end financial results.

- Lastly, the management shared that it remains positive about the future prospects of the bank and expects the profitability to remain robust going forward.

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