

## National Bank of Pakistan Company Update

PSX: NBP Bloomberg: NBP: PA Reuters: NBP: KA

Pakistan Research

### NBP: Pension outflow to keep dividend paying capacity in check

- According to the notice issued by NBP at PSX, Supreme Court of Pakistan has dismissed the Bank's review petition in the Pension case.
- To highlight, in 1999 after amendments in Banks Nationalization Act, the basic salary of Bank's employees was increased by 110% to 140%. Whereas, the formula for calculation for monthly gross pension was revised.
- In 2010, number of employees after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and Peshawar High Court, praying for recalculation of their pensionary benefits according to the formula in place prior to amendments in Banks Nationalization Act. In 2016, the Lahore High Court decided the decision in favor of employees.
- The Bank challenged the said judgement by filing the appeals in the Supreme Court, which was decided in favor of employees. Under the decision, the pension of employees was to be calculated at 70% of average gross pay, besides requiring the bank to follow Federal government revisions in Pension calculations over that period as well.
- The Bank filed the review petition on this decision which has now been dismissed by the Supreme Court.
- As per NBP, the decision would have a one-time negative impact of PKR 98.7bn (~PKR 48.3 bn after tax) or PKR 46.4/share (~PKR 22.73/share after tax) on the companies income statement.
- On a recurring basis, this would increase the pension liability of the bank by PKR 13.5bn (PKR 6.6bn after tax) or PKR 6.34/share (PKR 3.1/share after tax).
- Subsequently this would erode the CAR of the Bank by ~327 basis points to 22.2% from 25.4% in CY23, as per our calculation.
- However, actual numbers could be different based on the detailed judgement of Supreme Court.

#### Key Data

PSX Ticker	NBP
Current Price (PKR)	32
12-month High (PKR)	39
12-month Low (PKR)	18
Outstanding Shares (mn)	2,128
Market Cap (PKR mn)	67,442
Year End	December

Source: Company Accounts, Akseer Research

#### Key Financial Ratios

	CY18A	CY19A	CY20A	CY21A	CY22A	CY23A
EPS	9.41	7.43	14.36	13.16	14.29	24.37
EPS Growth	-13.0%	-21.0%	93.3%	-8.4%	8.6%	70.5%
DPS	0	0	0	1.0	0	0
BVPS	97.23	109.34	125.76	134.52	141.41	179.91
PER	4.6	4.3	2.2	2.4	2.2	1.4
CAR	16.4%	15.5%	19.8%	20.4%	21.6%	25.5%
P/B	0.4	0.3	0.3	0.2	0.2	0.2
ROE	9.7%	7.2%	12.2%	10.1%	10.4%	15.2%

Source: Company Accounts, Akseer Research

\*NBP is currently not part of Akseer's Banking universe, therefore historical data is presented.

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Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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