

Flash Note

Tuesday, 20 February 2018

Commercial Banks

NBP: CY17 profits up +1%YoY; Dividend withheld due to ongoing pension case

- National Bank of Pakistan (NBP) reported unconsolidated earnings for 4QCY17 of PKR 8.2bn (PKR 3.85/share) down by 12%YoY (up by +30%QoQ). This brings full year CY17 total earnings to PKR 23.0bn (PKR 10.82/share), up by +1%YoY.
- The bank announced no cash dividend for CY17 with stated reason being the uncertainty of ongoing pension case.
- During the quarter, the bank reported +2%YoY higher net interest income, while cumulatively for CY17 net interest income declined by 1%YoY.
- Non-interest income declined by 12%YoY during the quarter due to 58%YoY fall in capital gain and dividend income. For CY17, non-interest income rose by +4%YoY due to +13%YoY rise in fee income, despite 10%YoY fall in capital gains and dividend income.
- Operating expenses fell by 9%YoY. However, cumulatively for CY17, operating expenses rose by +4%YoY.
- The bank also reported a lower provision charge during the quarter (down 78%YoY), but for full year CY17 provision reversal declined by a meagre 4%YoY.

Exhibit:

NBP Result Highlights

PKRmn (Period end=Dec)	4QCY17	4QCY16	YoY	CY17	CY16	YoY
Interest Earned	35,257	30,561	15%	123,073	114,403	8%
Interest Expensed	19,311	15,004	29%	68,820	59,578	16%
Net Interest Income	15,945	15,556	2%	54,253	54,824	-1%
Fee Income	5,220	4,869	7%	16,774	14,833	13%
Capital Gain & Div. Income	1,409	3,320	-58%	10,301	11,405	-10%
Non-Interest Income	7,945	9,063	-12%	31,066	29,967	4%
Total Revenue	23,890	24,619	-3%	85,319	84,791	1%
Operating Expenses	12,347	13,532	-9%	50,395	48,351	4%
Pre-Provisioning Profits	11,544	11,087	4%	34,924	36,440	-4%
Provision (Rev.) / Charge	(699)	(3,210)	-78%	(675)	(701)	-4%
Pre-Tax Profits	12,242	14,297	-14%	35,599	37,141	-4%
Taxation	4,054	4,960	-18%	12,571	14,389	-13%
Profit After Tax	8,188	9,337	-12%	23,028	22,752	1%
EPS (PKR)	3.85	4.39		10.82	10.69	
DPS (PKR)	-	7.50		-	7.50	
BVPS (PKR) Est.	85.42	83.07				

KEY RATIOS

Cost-To-Income Ratio	52%	55%	59%	57%
Effective Tax Rate	33%	35%	35%	39%
Non-II / Total Income	33%	37%	36%	35%

SOURCE: IGI Research, company accounts, PSX

No. of shares (mn): 2127.5

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Time Horizon: Dec – 2018

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

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