

Flash Note

Thursday, 24 August 2017

Commercial Banks

NBP: Soaring net interest income nullifies the impact of rise in NPL provision

- National Bank of Pakistan (NBP) reported unconsolidated earnings for 2QCY17 of PKR 4.4bn (or PKR 2.05/share) up by +4%QoQ (or down by 20%YoY) bringing 1HCY17 total unconsolidated earnings to PKR 8.6bn (or PKR 4.02/share), down by 9%YoY.
- During the quarter, the bank reported +15%QoQ growth in net interest income +27%QoQ gain in fee income to record total revenue growth of +12%QoQ. However, 23.7x increase in NPL provision dampened profitability growth.
- Additionally, operating expenses rose by a meagre +3%QoQ, pulling down cost-to-income ratio to 61% (vs 66% in 1QCY17).

Exhibit:

NBP Result Highlights

PKRmn (Period end=Dec)	2QCY17	2QCY16	YoY	1QCY17	QoQ	1HFY17	YoY
Interest Earned	29,558	30,225	-2%	27,340	8%	56,899	-1%
Interest Expensed	15,426	14,604	6%	15,052	2%	30,477	3%
Net Interest Income	14,133	15,621	-10%	12,288	15%	26,421	-4%
Fee Income	4,064	4,219	-4%	3,188	27%	7,252	3%
Capital Gain & Div. Income	3,085	2,431	27%	2,888	7%	5,973	26%
Non-Interest Income	7,910	7,640	4%	7,398	7%	15,309	8%
Total Revenue	22,043	23,262	-5%	19,687	12%	41,730	0%
Operating Expenses	13,350	11,839	13%	12,963	3%	26,313	13%
Pre-Provisioning Profits	8,693	11,423	-24%	6,724	29%	15,417	-17%
NPL (Rev.) / Prov.	1,729	1,061	63%	73	23.7x	1,802	-13%
Pre-Tax Profits	6,964	10,362	-33%	6,651	5%	13,615	-18%
Taxation	2,612	4,951	-47%	2,449	7%	5,061	-29%
Profit After Tax	4,351	5,410	-20%	4,202	4%	8,553	-9%
EPS (PKR)	2.05	2.54		1.98		4.02	
DPS (PKR)	-	-		-		-	
BVPS (PKR)	80.55	77.31		78.50		80.55	

KEY RATIOS

Cost-To-Income Ratio	61%	51%	66%	63%
Effective Tax Rate	38%	48%	37%	37%
Non-Il / Total Income	36%	33%	38%	37%

SOURCE: IGI Research, Company accounts, PSX notifications

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