

Flash Note

Thursday, 30 August 2018

Commercial Banks

National Bank of Pakistan (NBP)

Higher fee income, forex gains and lower tax overshadowed inflated provisioning, Profitability up by +75%YoY to PKR 3.57/share

- On unconsolidated basis, National Bank of Pakistan (NBP) reported earnings of PKR 7.60bn or PKR 3.57/share for the 2QCY18, compared to PKR 4.35bn or PKR 2.05/share last year same quarter, a growth of +75%YoY. On a quarterly basis, earnings are up by +55%.
- Total revenue of the bank grew by +15%YoY to PKR 25.38bn owing to healthy +13%YoY growth in net interest income and +18%YoY growth in non-interest income. However, bank's interest expense increased by +23%YoY in 2Q alone leading to +19%YoY growth in 1H. Compared to interest earning growth of +18%YoY in 2Q and +17%YoY growth in 1H. On non-interest income major relief came from higher FX income of PKR 1.42bn (PKR 1.72bn in 1HCY18) in 2QCY18 compared to PKR 0.34bn (PKR 1.31bn in 1HCY17) last year same period. Along with FX income bank's fee income also registered an impressive growth of +25%YoY (+24% in 1HCY18) to PKR 5.06bn.
- Operating expenses also decline by 2%YoY during 2QCY18, taking bank's cost-income ratio to ~52% (down from 61% last year same period). On provisioning, the bank booked charge of PKR 2.67bn for 2QCY18 under non-performing loans compared to PKR 1.73bn in the corresponding period last year.
- The Bank's effective tax rate came down to 21% during 2QCY18 as against 38% in the same period last year taking 1HCY18 effective tax rate to 27% (1HCY17: 37%).

Exhibit:

NBP (uncons) Result Highlights

PKRmn (Period end=Dec)	2QCY18	2QCY17	YoY	1HCY18	1HCY17	YoY	1QCY18	QoQ
Interest Earned	35,017	29,558	18%	66,408	56,899	17%	31,390	12%
Interest Expensed	18,998	15,426	23%	36,264	30,477	19%	17,266	10%
Net Interest Income	16,019	14,133	13%	30,144	26,421	14%	14,124	13%
Fee Income	5,061	4,064	25%	8,998	7,252	24%	3,937	29%
Capital Gain & Div. Income	2,359	3,085	-24%	3,565	5,973	-40%	1,206	96%
Non-Interest Income	9,359	7,910	18%	15,254	15,309	0%	5,895	59%
Total Revenue	25,379	22,043	15%	45,398	41,730	9%	20,019	27%
Operating Expenses	13,122	13,350	-2%	25,756	26,313	-2%	12,634	4%
Pre-Provisioning Profits	12,257	8,693	41%	19,642	15,417	27%	7,385	66%
Provision (Rev.) / Charge	2,665	1,729	54%	2,482	1,802	38%	(184)	n.m.
Pre-Tax Profits	9,591	6,964	38%	17,160	13,615	26%	7,569	27%
Extraordinary Item	-	-	n.m.	-	-	n.m.	-	n.m.
Taxation	1,994	2,612	-24%	4,668	5,061	-8%	2,675	-25%
Profit After Tax	7,598	4,351	75%	12,492	8,553	46%	4,894	55%
EPS (PKR)	3.57	2.05		5.87	4.02		2.30	
DPS (PKR)	-	-		-	-		-	
BVPS (PKR) Est.	88.7	79.8		88.7	79.8		85.2	

Key Ratio

Cost-To-Income Ratio	52%	61%		57%	63%		63%
Effective Tax Rate	21%	38%		27%	37%		35%
Non-II / Total Income	37%	36%		34%	37%		29%

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 2127.51

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