

# Flash Note

Friday, 28 February 2020

## Commercial Banks

### National Bank of Pakistan (NBP)

#### 4q loss, takes 2019 EPS to 7.4/share down by 21%/y; Cash dividend (nil)

- ✓ On an unconsolidated basis, bank posted earnings of PKR 15.8bn or PKR 7.4/share down by 21% y/y for 2019. On a quarterly basis, bank posted a loss of PKR 0.5bn or PKR 0.2/share.
- ✓ The bank did not announce any cash dividend
- ✓ Bank's total revenue increased by a +11% y/y to PKR 108.1bn (down by 7% y/y in 4q) led by a +19% y/y growth in net interest income and a 0.1% y/y decline in non-funded income. Interest earned increased by a +60% y/y (+61% y/y in 4q) compared to interest expense up by +88% y/y, (96% y/y in 4q). Break-up wise of NFI shows fee income is up by 3% y/y (14%/y/y decline in 4q) and FX income is down by 29% y/y (68% y/y decline in 4q). Admin expenses recorded a +18% y/y growth (+38%/y/y in 4q), taking overall Opex to PKR 66bn (up by +18%/y/y) and C/I stand at ~61% in 2019 (+85% in 4q) compared to ~58% in 2018. Nevertheless, on pre-provisioning profits basis, bank reported an increase of +3.1% y/y (down by 69%/y/y in 4q). Cumulative provision charge for the year stood at PKR 14bn (PKR 5.4bn in 4q 2019) compared to PKR 11.3bn last year.

| Exhibit: National Bank Limited (NBP) Financial highlights |              |              |              |              |              |             |             |             |             |             |
|---|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Period end (Dec) - PKRbn                                  | 2019         | 4q/19        | 3q/19        | 2q/19        | 1q/19        | 2018        | 4q/18       | 3q/18       | 2q/18       | 1q/18       |
| Interest Earned   | 239.5        | 72.1         | 69.7         | 51.9         | 45.8         | 150.0       | 44.8        | 38.8        | 35.0        | 31.4        |
| Interest Expense  | 167.6        | 54.0         | 51.4         | 31.9         | 30.2         | 89.3        | 27.6        | 25.4        | 19.0        | 17.3        |
| <b>Interest Income</b>                                    | <b>71.9</b>  | <b>18.0</b>  | <b>18.3</b>  | <b>20.0</b>  | <b>15.6</b>  | <b>60.7</b> | <b>17.1</b> | <b>13.4</b> | <b>16.0</b> | <b>14.1</b> |
| NII Growth YoY  | 18.5%        | 5.4%         | 36.5%        | 24.8%        | 10.2%        | 11.8%       | 9.9%        | 9.4%        | 13.3%       | 14.9%       |
| -- Fee Income   | 19.1         | 5.1          | 4.2          | 5.8          | 4.0          | 18.5        | 6.0         | 3.6         | 5.1         | 3.9         |
| -- Fx Income  | 6.0          | 1.7          | 0.8          | 1.7          | 1.9          | 8.5         | 5.5         | 1.3         | 1.4         | 0.3         |
| -- Dividend Income  | 3.2          | 0.8          | 0.7          | 0.7          | 1.0          | 2.6         | 0.6         | 0.9         | 0.8         | 0.3         |
| Other NFI   | 7.9          | 5.5          | 3.2          | 4.1          | 4.2          | 17.7        | 7.8         | 3.7         | 4.3         | 2.0         |
| <b>Non-Interest Income</b>                                | <b>36.2</b>  | <b>10.6</b>  | <b>7.4</b>   | <b>9.9</b>   | <b>8.3</b>   | <b>36.2</b> | <b>13.8</b> | <b>7.2</b>  | <b>9.4</b>  | <b>5.9</b>  |
| NFI Growth YoY  | -0.1%        | -22.8%       | 1.8%         | 6.2%         | 40.2%        | 16.7%       | 62.8%       | -0.9%       | 18.3%       | -20.3%      |
| <b>Total Revenue</b>                                      | <b>108.1</b> | <b>28.7</b>  | <b>25.7</b>  | <b>29.9</b>  | <b>23.8</b>  | <b>96.9</b> | <b>30.9</b> | <b>20.6</b> | <b>25.4</b> | <b>20.0</b> |
| Non-II / Total Revenue                                    | 33.5%        | 37.1%        | 28.7%        | 33.2%        | 34.7%        | 37.4%       | 44.6%       | 35.1%       | 36.9%       | 29.4%       |
| Total Revenue Growth YoY                                  | 11.5%        | -7.1%        | 24.3%        | 17.9%        | 19.1%        | 13.6%       | 28.5%       | 5.5%        | 15.1%       | 1.7%        |
| Admin   | 65.7         | 24.5         | 13.4         | 15.0         | 12.8         | 55.7        | 17.8        | 12.5        | 13.0        | 12.5        |
| <b>Operating Expenses</b>                                 | <b>65.9</b>  | <b>24.5</b>  | <b>13.5</b>  | <b>15.0</b>  | <b>12.9</b>  | <b>55.9</b> | <b>17.4</b> | <b>12.7</b> | <b>13.1</b> | <b>12.6</b> |
| OPEX Growth YoY   | 17.7%        | 40.4%        | 5.8%         | 14.6%        | 1.7%         | 15.3%       | 41.3%       | 8.5%        | -1.7%       | -2.5%       |
| Cost-To-Income Ratio                                      | 61%          | 85%          | 52%          | 50%          | 54%          | 58%         | 57%         | 62%         | 52%         | 63%         |
| <b>PPOP</b>   | <b>42.3</b>  | <b>4.2</b>   | <b>12.2</b>  | <b>14.9</b>  | <b>11.0</b>  | <b>41.0</b> | <b>13.4</b> | <b>7.9</b>  | <b>12.3</b> | <b>7.4</b>  |
| PPOP Growth YoY   | 3.1%         | -68.9%       | 54.1%        | 21.5%        | 48.7%        | 11.4%       | 15.0%       | 1.1%        | 41.0%       | 9.8%        |
| Provisioning Charge                                       | 14.3         | 5.4          | 3.4          | 3.2          | 2.3          | 11.3        | 6.9         | 2.0         | 2.7         | (0.2)       |
| EO/one-offs   | -            | -            | -            | -            | -            | -           | -           | -           | -           | -           |
| <b>Pre-Tax Profits</b>                                    | <b>28.0</b>  | <b>(1.2)</b> | <b>8.8</b>   | <b>11.7</b>  | <b>8.7</b>   | <b>29.7</b> | <b>6.6</b>  | <b>6.0</b>  | <b>9.6</b>  | <b>7.6</b>  |
| Taxation  | 12.2         | (0.7)        | 3.6          | 4.7          | 4.5          | 9.7         | 2.7         | 2.3         | 2.0         | 2.7         |
| Effective Tax Rate  | 43.5%        | 55.6%        | 40.5%        | 40.7%        | 52.1%        | 32.6%       | 41.6%       | 38.1%       | 20.8%       | 35.3%       |
| <b>Profit After Tax</b>                                   | <b>15.8</b>  | <b>(0.5)</b> | <b>5.2</b>   | <b>6.9</b>   | <b>4.2</b>   | <b>20.0</b> | <b>3.8</b>  | <b>3.7</b>  | <b>7.6</b>  | <b>4.9</b>  |
| PAT Growth YoY  | -21.0%       | -113.7%      | 41.9%        | -9.0%        | -14.5%       | -13.1%      | -53.9%      | -40.1%      | 74.6%       | 16.5%       |
| <b>EPS</b>  | <b>7.4</b>   | <b>(0.2)</b> | <b>2.5</b>   | <b>3.3</b>   | <b>2.0</b>   | <b>9.4</b>  | <b>1.8</b>  | <b>1.7</b>  | <b>3.6</b>  | <b>2.3</b>  |
| <b>DPS</b>  | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    |
| <b>BVPS</b>   | <b>103.6</b> | <b>103.6</b> | <b>103.8</b> | <b>101.5</b> | <b>100.0</b> | <b>97.2</b> | <b>97.2</b> | <b>88.5</b> | <b>88.4</b> | <b>85.2</b> |
| Interest Earned growth                                    | 60%          | 61%          | 80%          | 48%          | 46%          | 22%         | 28%         | 24%         | 18%         | 15%         |
| Interest Expense growth                                   | 88%          | 96%          | 102%         | 68%          | 75%          | 30%         | 43%         | 33%         | 23%         | 15%         |

No. of shares: 2127.5mn

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