

# Flash Note

Monday, 25 September 2017

## Commercial Banks

### NBP to incur pension liability of PKR ~48bn as a result of unfavorable Court ruling

- As per the latest PSX notice, National Bank of Pakistan (NBP) has received an unfavorable court ruling in a pension related case, resulting in a onetime pension liability of PKR 47.7bn.
- To recall, writ petitions were filed against NBP by some of its retired employees in Lahore High Court (LHC) and Peshawar High Court (PHC) for recalculation of their pensionary benefits, with PHC ruling in favor and LHC ruling against NBP.
- To recall, NBP reported earnings of PKR 8.5bn (or PKR 4.02/share) in 1H CY17, with book value standing at PKR 79.8/share.
- Adjusting for tax, the said expense would translate into PKR 14.5/share impact on Bank's bottom-line.
- The bank is considering its legal options and an appeal cannot be ruled out, we think.
- With the said expense, we opine possible cut in bank's dividend and lower CAR may restrict banks' future growth.

Source: <https://dps.psx.com.pk/notices-updates/detail2.php?id=4&nid=103188>

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