

Flash Note

Friday, 27 April 2018

Commercial Banks

NBP: EPS clocks in at PKR 2.38 due to growth in net interest income and fee income

- National Bank of Pakistan (NBP) reported earnings of PKR 2.38/share or PKR 5.1bn for the 1QCY18, compared to PKR 1.98/share or PKR 4.2bn in the same period last year, posting a growth of +22%YoY. On a quarterly basis, earnings are down 38%.
- Despite a YoY fall of PKR 1.6bn in capital gains and dividend income to PKR 1.2bn in 1QCY18, total revenue for the quarter rose by +5%YoY primarily due to +15%YoY rise in net interest income and +36%YoY rise in fee income. The growth in net interest income is expected to be on the back of rising earning assets.
- During the quarter, operating expenses growth remained flat compared to similar period of last year taking cost-income ratio down 300bps to 63%. We attribute contained operating expenses to management's focus on making branches more efficient as communicated during the last analyst briefing.
- The bank also booked a provision reversal of PKR 183mn compared to a charge of PKR 73mn in the same period last year. The provision reversal is owed to PKR 242mn reversal in diminution of investments.

Exhibit:

NBP Result Highlights

PKRmn (Period end=Dec)	1QCY18	1QCY17	YoY	4QCY17	QoQ
Interest Earned	31,453	27,340	15%	35,257	-11%
Interest Expensed	17,264	15,052	15%	19,311	-11%
Net Interest Income	14,189	12,288	15%	15,945	-11%
Fee Income	4,345	3,188	36%	5,220	-17%
Capital Gain & Div. Income	1,227	2,888	-58%	1,409	-13%
Non-Interest Income	6,468	7,398	-13%	7,945	-19%
Total Revenue	20,658	19,687	5%	23,890	-14%
Operating Expenses	13,006	12,963	0%	12,347	5%
Pre-Provisioning Profits	7,652	6,724	14%	11,544	-34%
Provision (Rev.) / Charge	(183)	73	n.m	(699)	-74%
Pre-Tax Profits	7,836	6,651	18%	12,242	-36%
Taxation	2,727	2,449	11%	4,054	-33%
Profit After Tax	5,108	4,202	22%	8,188	-38%
EPS (PKR)	2.38	1.98		3.85	
DPS (PKR)	-	-		-	
BVPS (PKR) Est.	84.81	78.50		82.44	

KEY RATIOS

Cost-To-Income Ratio	63%	66%	52%
Effective Tax Rate	35%	37%	33%
Non-IT / Total Income	31%	38%	33%

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 2127.5

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