

Flash Note

Wednesday, 22 February 2017

Commercial Banks

NBP: Lower provision lifts earnings to PKR 10.7/share, up by +18%YoY (4QCY16 EPS at PKR 4.4, up by 2.35x QoQ)

- National Bank of Pakistan (NBP) reported earnings growth of +18%YoY to PKR 22.8bn (EPS PKR 10.7) in CY16 compared to PKR 19.2bn (EPS PKR 9.0) last year.
- The bank announced a PKR 7.5/share cash dividend along with the result.
- On a quarterly basis, earnings increased by a massive +135%QoQ to PKR 9.3bn or PKR 4.4/share, thanks to PKR 3.1bn total reversals booked. Moreover, bank's interest income also increased by +34%QoQ, possibly due to higher interest earned on performing loans and increasing CASA deposit. More impressive is bank's Fee income growth of +66%QoQ.
- Nevertheless, Bank's operating expense increased by +11%YoY to PKR 48.3bn. Whereas lower capital gains & dividend income, despite a healthy +20%YoY growth in fee income, failed to lift non-interest income.

Exhibit:

NBP Result Highlights

PKRmn (Period end=Dec)	CY16	CY15	YoY	4QCY16	QoQ
Interest Earned	114,403	113,662	1%	30,561	15%
Interest Expensed	59,578	59,941	-1%	15,004	0%
Interest Income	54,824	53,721	2%	15,556	34%
Fee Income	14,833	12,395	20%	4,869	66%
Capital Gain & Div. Income	11,405	15,854	-28%	3,320	0%
Non-Interest Income	29,967	34,983	-14%	9,063	35%
Total Revenue	84,791	88,704	-4%	24,619	34%
Operating Expenses	48,351	43,667	11%	13,532	17%
Pre-Provisioning Profits	36,440	45,037	-19%	11,087	64%
NPL (Rev.) / Prov.	(701)	11,821	-106%	(3,210)	n.m
Pre-Tax Profits	37,141	33,216	12%	14,297	126%
Taxation	14,389	13,997	3%	4,960	112%
Profit After Tax	22,752	19,219	18%	9,337	135%
EPS (PKR)	10.69	9.03		4.39	
DPS (PKR)	7.50	7.50		7.50	
BVPS (PKR)	76.0	79.1		76.0	
KEY RATIOS					
Cost-To-Income Ratio	57%	49%		55%	
Effective Tax Rate	39%	42%		35%	
Nii / Total Income	35%	39%		37%	

Source: IGI Research, Company Financials

No. of shares 2,127.5

Recommendation

With a forward P/B of 1.0x and decent dividend yield of 9.3%, we recommend NBP a "HOLD" call with our Dec-17 target price of PKR 85/share.

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IGI Finex Securities Limited

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