

Flash Note

Wednesday, 28 August 2019

Commercial Banks

National Bank of Pakistan (NBP)

Pre-provisioning revenue increased by +22%, bottom-line dented by higher provision charge; EPS down by 9% y/y to PKR 3.25/share; DPS PKR NIL

- On unconsolidated basis, NBP posted earnings of PKR 6.9bn (or PKR 3.3/share) down by 9% y/y for 2q 2019, taking its 1h cumulative earnings to PKR 11.1bn (or PKR 5.2/share) a decline of 11% y/y compared to last year.
- Bank's net interest income printed an impressive growth of +25% y/y to PKR 20.0bn during 2q compared to an increase of +10% y/y in the previous quarter. This takes 1h 2019 NII, to PKR 35.6bn a growth of +18%y/y compared to PKR 30.1bn last year same period (up by +14%y/y). More impressively bank's fee income depicted a growth of +44% to PKR 5.8bn which helped lift bank's total revenue to PKR 29.9bn and PKR 53.8bn in 1h 2019 (up by +18% y/y). However, despite considerable growth in total revenue, provisioning remains a weak spot, whereby in 2q 2019, bank posted a provisioning charge of PKR 3.2bn or PKR 5.5bn in 1h 2019, up +43% y/y.
- On expense side, admin costs increased by +16% y/y during the quarter under review, taking its 1h total admin cost to PKR 27.8bn up by +9%. As a result, C/I ratio improved to 52% in 1h 2019 compared to 57% 1h 2018.

Exhibit: National Bank Limited (NBP) Financial highlights

Period end (Dec) - PKRbn	2Q'19	1Q'19	2H'19	2H'18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Income	20.0	15.6	35.6	30.1	60.7	17.1	13.4	16.0	14.1	54.3	15.6	12.3	14.1	12.3	54.8
NII Growth YoY	25%	10%	18%	14%	12%	10%	9%	13%	15%	-1%	0%	5%	-10%	2%	2%
Fee Income	5.8	4.0	9.8	9.0	18.5	6.0	3.6	5.1	3.9	16.8	5.6	3.9	4.1	3.2	14.8
Non-Interest Income	9.9	8.3	18.2	15.3	36.2	13.8	7.2	9.4	5.9	31.1	8.5	7.3	7.9	7.4	30.0
NFI Growth YoY	6%	40%	19%	0%	17%	63%	-1%	18%	-20%	4%	-7%	9%	4%	13%	-14%
Total Revenue	29.9	23.8	53.8	45.4	96.9	30.9	20.6	25.4	20.0	85.3	24.0	19.6	22.0	19.7	84.8
Non-II / Total Revenue	33%	35%	34%	34%	37%	45%	35%	37%	29%	36%	35%	37%	36%	38%	35%
Total Revenue Growth YoY	18%	19%	18%	9%	14%	29%	6%	15%	2%	1%	-2%	7%	-5%	6%	-4%
Admin	15.0	12.8	27.8	25.4	55.7	17.8	12.5	13.0	12.5	48.2	11.9	11.6	12.3	12.4	46.9
Operating Expenses	15.0	12.9	27.9	25.8	55.9	17.4	12.7	13.1	12.6	48.5	12.3	11.7	13.4	13.0	48.4
OPEX Growth YoY	15%	2%	8%	-2%	15%	41%	8%	-2%	-3%	0%	-9%	1%	13%	14%	11%
Cost-To-Income Ratio	50%	54%	52%	57%	58%	57%	62%	52%	63%	57%	51%	60%	61%	66%	57%
PPOP	14.9	11.0	25.9	19.6	41.0	13.4	7.9	12.3	7.4	36.8	11.7	7.8	8.7	6.7	36.4
PPOP Growth YoY	22%	49%	32%	27%	11%	15%	1%	41%	10%	1%	5%	16%	-24%	-6%	-19%
Provisioning Charge	3.2	2.3	5.5	2.5	11.3	6.9	2.0	2.7	(0.2)	1.2	(0.7)	(1.8)	1.7	0.1	(0.7)
EO/one-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	11.7	8.7	20.4	17.2	29.7	6.6	6.0	9.6	7.6	35.6	12.4	9.6	7.0	6.7	37.1
Taxation	4.7	4.5	9.3	4.7	9.7	2.7	2.3	2.0	2.7	12.6	4.1	3.5	2.6	2.4	14.4
Effective Tax Rate	41%	52%	46%	27%	33%	42%	38%	21%	35%	35%	33%	36%	38%	37%	39%
Profit After Tax	6.9	4.2	11.1	12.5	20.0	3.8	3.7	7.6	4.9	23.0	8.3	6.2	4.4	4.2	22.8
PAT Growth YoY	-9%	-15%	-11%	46%	-13%	-54%	-40%	75%	16%	1%	-11%	55%	-20%	4%	18%

EPS	3.3	2.0	5.2	5.9	9.4	1.8	1.7	3.6	2.3	10.8	3.9	2.9	2.0	2.0	10.7
DPS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.5
BVPS	103.3	100.0	103.3	88.4	97.2	97.2	88.5	88.4	85.2	82.4	82.4	81.6	79.8	78.5	83.1
Interest Earned	51.9	45.8	97.7	66.4	150.0	44.8	38.8	35.0	31.4	123.1	34.9	31.3	29.6	27.3	114.4
Interest Expense	31.9	30.2	62.1	36.3	89.3	27.6	25.4	19.0	17.3	68.8	19.3	19.0	15.4	15.1	59.6
Interest Earned growth	48%	46%	47%	17%	22%	28%	24%	18%	15%	8%	14%	17%	-2%	1%	1%
Interest Expense growth	68%	75%	71%	19%	30%	43%	33%	23%	15%	16%	29%	27%	6%	1%	-1%

Analyst

Saad Khan

Saad.khan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext: 810