

National Bank of Pakistan (NBP)

4Q2017 EPS of Rs4, -10% YoY; 2017 EPS Rs10.9, up 1%; No Cash payout
Earnings above expectation

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Profits down 10% YoY on lower Non-interest income

NBP: Financial Highlights							
Rsmn	4Q2017	4Q2016	YoY	QoQ	2017	2016	YoY
Markup interest earned	35,287	30,843	14%	14%	123,415	115,029	7%
Markup interest expensed	19,318	15,014	29%	2%	68,811	59,594	15%
Net Interest Income	15,968	15,829	1%	34%	54,604	55,434	-1%
NPL provisioning/reverval	(1,235)	(2,246)	NM	NM	1,245	708	76%
Total provisioning expense	(1,142)	(2,761)	NM	NM	(1,332)	(968)	NM
Non Interest Income	8,352	9,519	-12%	3%	32,115	31,032	3%
Non Interest Expense	12,722	13,676	-7%	5%	51,908	49,840	4%
Profit before Tax	12,741	14,434	-12%	31%	36,144	37,595	-4%
Taxation	4,097	4,991	-18%	17%	12,798	14,507	-12%
Profit after Tax	8,489	9,434	-10%	37%	23,181	23,040	1%
EPS	4.0	4.4			10.9	10.8	

Source: PSX, Topline Research

- NBP announced 4Q2017 earnings of Rs4/share which was above street consensus primarily on account of one time provisions reversals against NPLs. NBP skipped cash dividend on concerns of an expected outcome from huge pension liability against the bank. As per 2016 accounts of NBP, the bank faces pension liability of over Rs40bn.
- Net Interest Income (NII) of NBP remained flat at Rs15.9bn during the quarter and remained in line with our estimations.
- The bank booked provisions reversals of Rs1.2bn against NPLs during 4Q2017 on the account of improving macros and recovery from local corporate we believe. Total provisions reversals, which also include provisions against investments stood at Rs1.1bn during the quarter. The reversals during the quarter remained higher than our estimates.

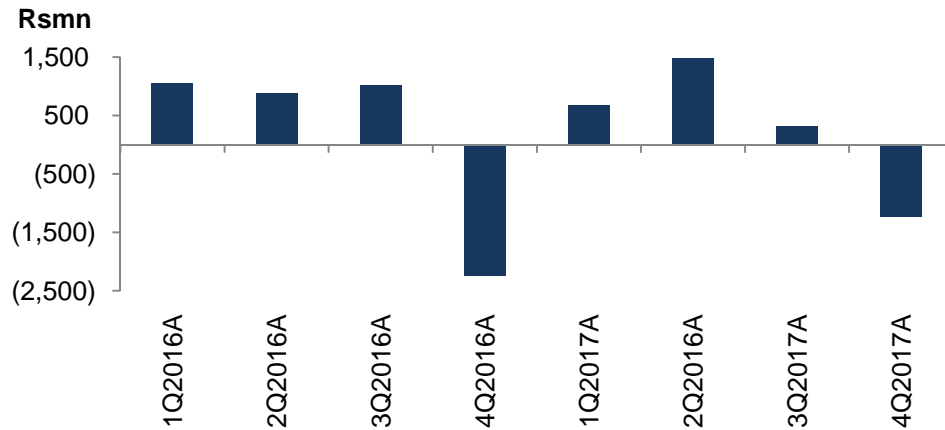
Profits down 10% YoY on lower Non-interest income

- Non-interest income of NBP was down 10% YoY to Rs8.3bn as capital gains dropped to Rs312mn in 4Q2017 vs. Rs2.6bn in 4Q2016. We anticipate capital gains to remain at these levels given expected interest rate hike and lackluster equity market performance.
- Bank's non-markup expense declined by 7% YoY to Rs12.2bn which supported NBP's bottom-line.
- In 2017, NBP reported earnings of Rs10.9/share which was flat on YoY basis. NII of NBP remained flat whereas non-markup income was up 3%
- We continue to rate NBP as "Sell" as pension liability case poses a major risk to company's profitability.

NBP: Key Numbers					
	2013A	2014A	2015A	2016A	2017E
EPS	2.5	7.6	9.4	10.8	10.9
Earnings Growth	-65%	205%	-17%	-17%	1%
PE at Rs49.6	20.0	6.6	4.6	4.6	4.6
Dividend Yield	4%	11%	15%	15%	0%
ROE	3%	9%	12%	13%	14%
PBV	0.7	0.6	0.6	0.6	0.6

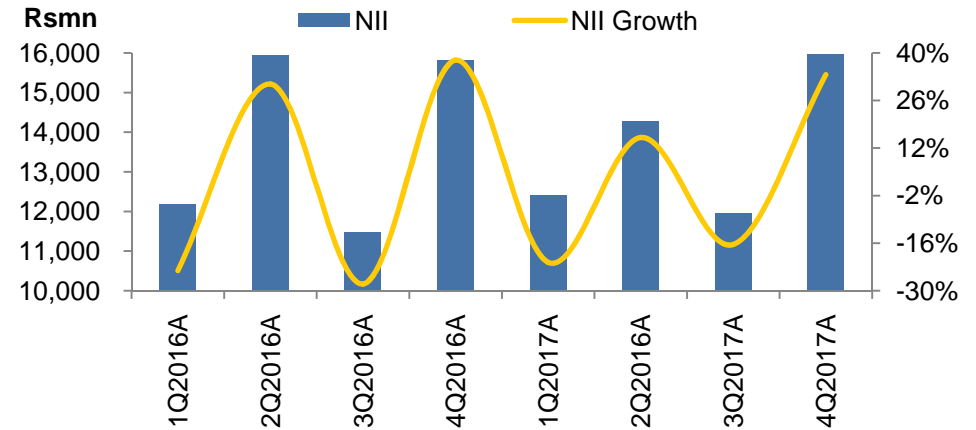
Source: Company Accounts, Topline Research

NBP: Quarterly NPL provisioning / Reversal



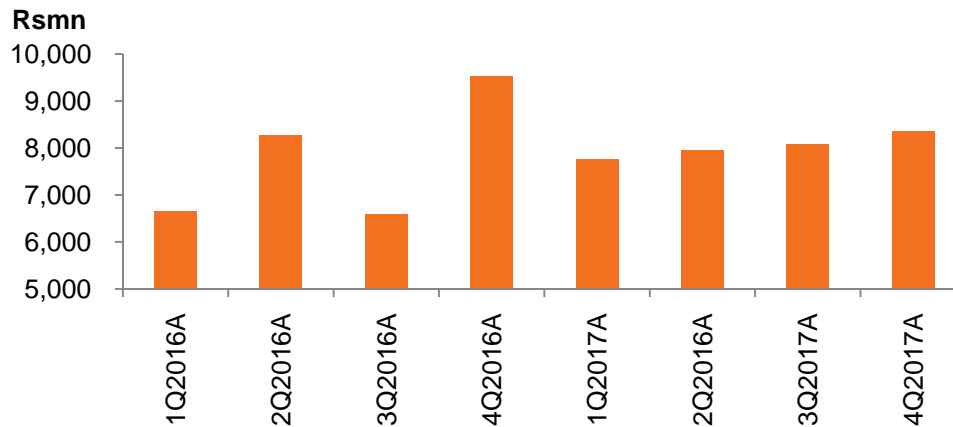
Source: Company Accounts, Topline Research

NBP: Quarterly NII and NII Growth



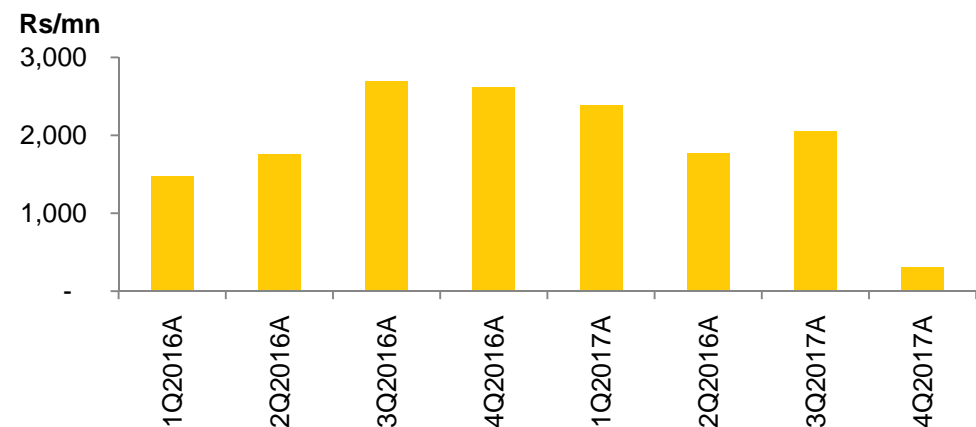
Source: Company Accounts, Topline Research

NBP: Quarterly Non interest income



Source: Company Accounts, Topline Research

NBP: Quarterly Capital gains



Source: Company Accounts, Topline Research

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