

# National Bank of Pakistan (NBP)

2Q2018EPS of Rs3.6, +73% YoY; 1H2018 EPS Rs6.0, +49% YoY

Above expectation

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Umair Naseer<sup>AC</sup>

umair.naseer@topline.com.pk

Tel: +9221-35303330

Topline Securities, Pakistan

## Profits up 73% YoY, PBT up 36% YoY

### NBP: Financial Highlights

Rsmn	2Q2018	2Q2017	YoY	QoQ	1H2018	YoY
Markup interest earned	35,074	29,331	20%	12%	66,527	17%
Markup interest expensed	18,996	15,421	23%	10%	36,260	19%
Net Interest Income	16,078	13,910	16%	13%	30,267	15%
NPL provisioning/(reversal)	2,108	1,484	42%	NM	2,166	0%
Total provisioning expense	2,644	1,354	95%	NM	2,460	72%
Non Interest Income	9,737	8,312	17%	51%	16,205	1%
Non Interest Expense	13,490	13,728	-2%	4%	26,496	-2%
Profit before Tax	9,681	7,140	36%	24%	17,516	27%
Taxation	2,046	2,697	-24%	-25%	4,773	-8%
Profit after Tax	7,595	4,379	73%	50%	12,656	49%
<b>EPS</b>	<b>3.6</b>	<b>2.1</b>			<b>6.0</b>	

Source: PSX, Topline Research

- NBP announced earnings of Rs3.6/share, +73% YoY which was also higher than market expectations. Profit before tax was up 36% YoY as effective tax rate during 2Q2018 stood at 21% vs. 38% in 2Q2017 mainly due to tax reversals, we believe.
- Net Interest Income (NII) of NBP improved by 16% YoY to Rs16.1bn as the bank benefited from rising interest rates. Consequently, markup interest earned increased by 20% whereas markup interest expense was up 23%.
- Total provisions of the bank increased from Rs1.4bn in 2Q2017 to Rs2.6bn in 2Q2018 mainly on back of higher provisions against NPLs & investments.

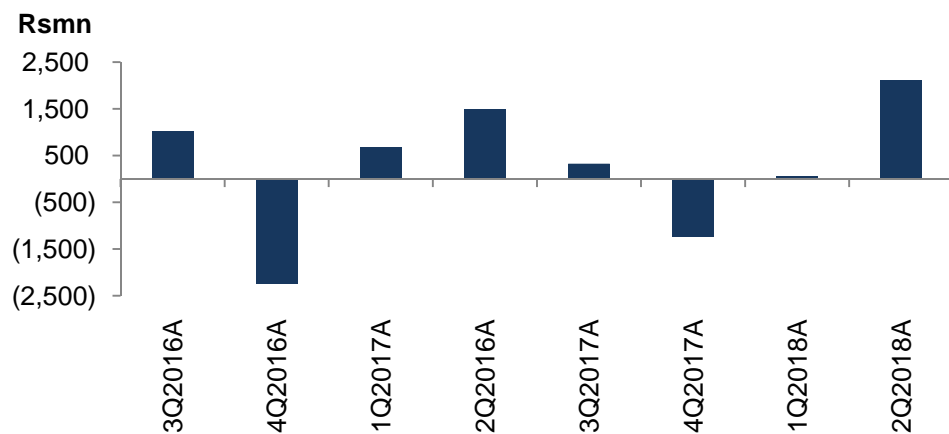
## Profits up 73% YoY, PBT up 36% YoY

- Non-interest income of NBP was up 17% YoY to Rs9.7bn led by growth in FCY dealings & fee, commission income.
- Non-markup expense also remained flat amid reversals, supporting earnings growth of the bank.
- In 1H2018, earnings of the bank clocked in at Rs6/share, 49% higher than same period last year. NII of the bank increased by 15% during 1H2018.
- Key risks for the bank include 1) deterioration in Pakistan macros, 2) uptick in provisioning charge, & 3) lower than expected rate hike.

<b>NBP: Key Numbers</b>					
	<b>2013A</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>
EPS	2.5	7.6	9.4	10.8	10.9
Earnings Growth	-65%	205%	25%	15%	1%
PE at Rs51.3	20.7	6.8	5.4	4.7	4.7
Dividend Yield	4%	11%	15%	15%	0%
ROE	3%	9%	12%	13%	14%
PBV	0.7	0.6	0.6	0.6	0.7

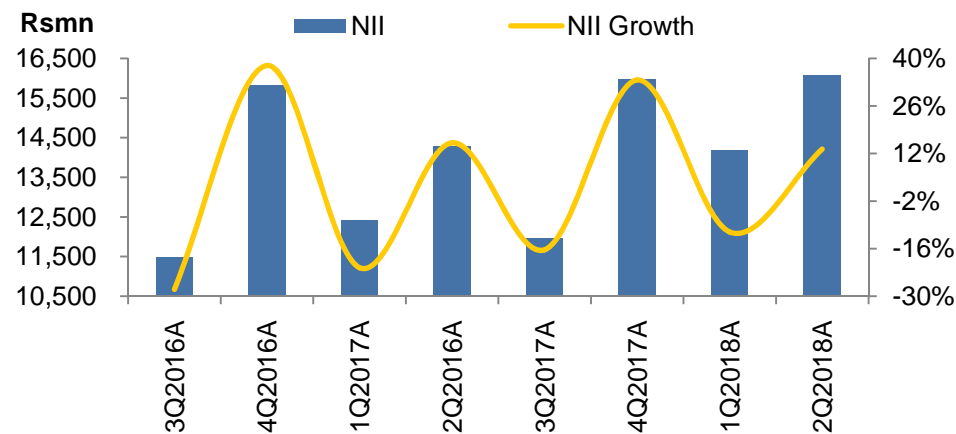
Source: Company Accounts, Topline Research

### NBP: Quarterly NPL provisioning / Reversal



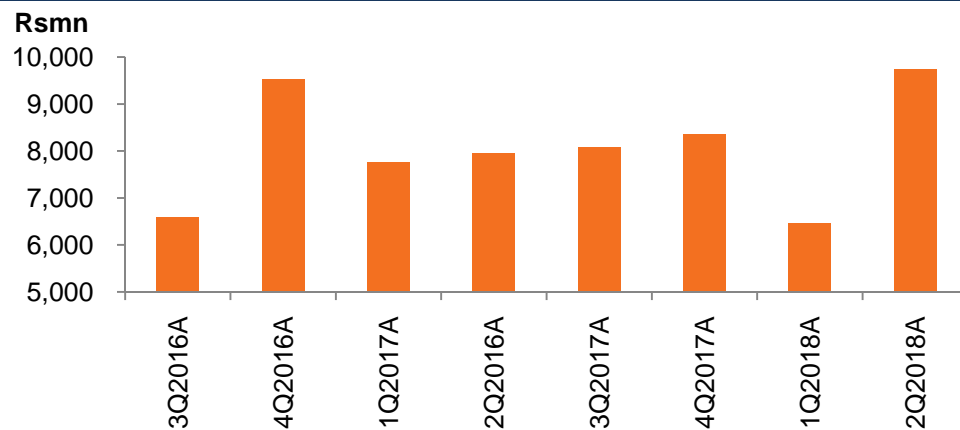
Source: Company Accounts, Topline Research

### NBP: Quarterly NII and NII Growth



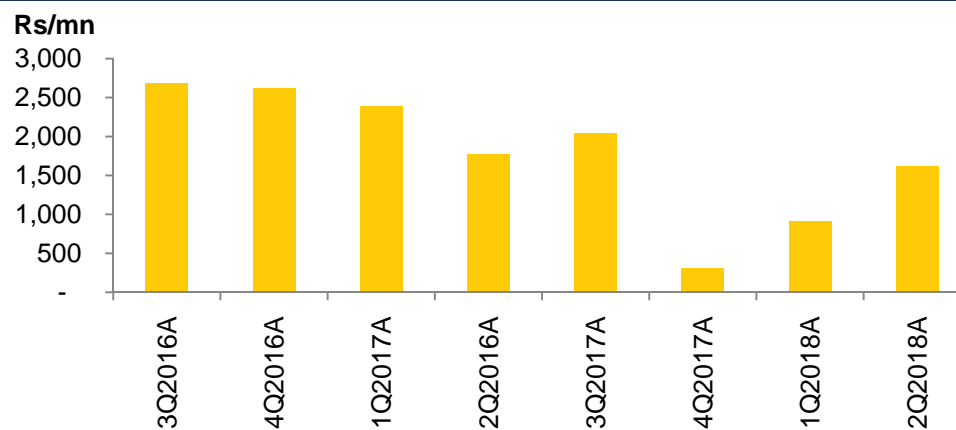
Source: Company Accounts, Topline Research

### NBP: Quarterly Non interest income



Source: Company Accounts, Topline Research

### NBP: Quarterly Capital gains



Source: Company Accounts, Topline Research

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Under Weight	< Weight in KSE-100 Index

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