

National Bank of Pakistan (NBP)

- National Bank of Pakistan (NBP) recently posted 1HCY18 EPS of Rs5.99 which is 47.4% higher than SPLY
- On quarterly basis NBP posted 2QCY18 EPS of Rs3.59, higher by 49.7% QoQ
- Factors leading to higher profitability are as follows:
 - Net Interest Income has shown a growth of 13.3% in 2QCY18 to Rs16bn from Rs14.18bn in 1QCY18
 - 50.5% increase in Non-Markup Income from Rs6.46bn in 1QCY18 to Rs9.7bn in 2QCY18, primarily lead by Fee income, Capital gain and income generated from foreign exchange dealing
 - Lower effective tax at 21% in 2QCY18 from 34.8% in 1QCY18
- Current Book Value is around Rs90/share and LDGP is Rs52.14 (Trading at 0.58x book value)
- Going forward, we estimate CY18E and CY19E EPS to be Rs11.33 and Rs11.83 respectively, our earnings estimates incorporates 50bps and 100bps increase in policy rate 2HCY18 and CY19 respectively
- NBP is currently trading at CY18E and CY19E P/B of 0.58x and 0.49x respectively, while justified P/B comes around 0.8x assuming Tier-1 ROE of 17.03%. Therefore we maintain our BUY stance on the scrip with a target price of Rs62 (after incorporating the estimated impact of pension case)
- Key risks: i) Higher than estimated provision on NPL and pension liability, ii) Lower than estimated increase in interest rates, iii) Lower than estimated deposit growth and iv) Change in regulatory requirements

- **Disclaimer**

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- **Analyst Certification**

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- **Valuation Methodology**

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method (P/E, P/B etc.)
- Discounted Cash flow Method
- Sum of the parts {SOTP}
- Equity and Asset based valuation

- **Rating**

- BUY Total return more than 20% from last closing of market price
- HOLD Total return is in between 10% and 20% from last closing of market price
- REDUCE Total return is less than 10% from last closing market price



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