

March 16, 2009

Pakistan Market**NBP: EPS of Rs16.7 likely in 2008/Rs5 per share cash** KSE100 Index Closing 5750.47 ↑ (+43.38)**MORNING BRIEFING**

National Bank of Pakistan (NBP) is scheduled to announce its full year 2008 results on March 18, 2009. We expect NBP to post earnings of Rs15.0bn (EPS Rs16.7) versus profits of Rs19.0bn (EPS Rs21.2), a significant decline of 21%YoY, driven by rising provisions for non performing loans (NPLs).

2008E EPS of Rs16.7 (excluding impairment)

NBP is expected to post earnings of Rs15.0bn (EPS of Rs16.7) in 2008 versus earnings of Rs19.0bn (EPS of Rs21.2) in 2007 – a considerable decline of 21%YoY. The dip in earnings is mainly led by a steep rise in NPLs, which has resulted in recognition of higher provisions. We expect NBP to recognise provisions of Rs8.1bn in 2008, up a massive 72%YoY.

While earnings would remain under pressure from rising NPLs, topline of the company would post another year of decent growth. Increased foreign exchange volatility & higher levels of trade activity are expected to raise NBP's non interest income by 12% to Rs15.2bn. We expect income from exchange dealings to surge by 234% to Rs3.5bn, while fee income is expected to rise by 6% to Rs7.2bn. Moreover, strong advances growth would help net interest income to reach Rs35.1bn, a growth of 4%YoY.

Along with its full year results, the bank is expected to announce a final cash dividend of Rs5-6 per share and a bonus payout of 10%.

EPS to fall to Rs15.4 with full impairment

NBP like its other corporates has a significant equity investment portfolio classified as Available for Sale (AFS) and accounted for under IAS 39 which has been affected by the stock market crash. Encouragingly though, two of its main equity investments namely NIT and Bank Al-Jazira don't require recognition of impairment loss as their cost is lower than the fair value. Thus quantum of impairment is likely to be far lower than its major contemporaries such as MCB & UBL. Despite relaxation by SECP on recognition of impairment

loss, we expect NBP like the other main banking players to book provisions upfront. According to our calculations, total impairment loss based on Dec 31, 2008 prices is estimated at Rs1.5bn. Hence recognition of impairment loss would reduce reported earnings by Rs1.3 per share to Rs15.4 per share.

Outlook: 'Buy' reiterated

Despite the risk of rising NPLs and falling net interest margins going forward, we maintain our 'Buy' stance on NBP given its cheap multiples both locally and on a regional basis. The bank trades at 2008E PE and PBV of 4.0 and 0.6x, respectively. Moreover, it offers 2008E ROE of 14.8% and dividend yield of 7.5%.

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National Bank of Pakistan

Market Price: Rs67.00	Kats Code: NBP
Market Cap: Rs60.1bn (US\$747.8mn)	Bloomberg Code: NBP PA
1-yrs Avg. Daily Volume: 3.8mn shares, Rs517.1mn (US\$6.4mn)	Reuters Code: NBP.KA
1-year High/Low: Rs259.50/46.56	

Also in focus**PKGS: 2008 Recurring EPS of Rs1 likely**

Packages is expected to announce its 2008 results today. The company is likely to post recurring EPS of Rs1/share. Gross margin is expected to stand at 11% as compared to 13.3% last year. This is due to higher depreciation and lower plant utilization. However, if the company realizes US\$115mn consideration on account of sale of its shareholding in Tetra Pak Limited to Tetra Laval of Switzerland (resolved to sell in a notice issued on Dec 23, 2008), full year EPS would be Rs109/share. One downside risk for the earnings is the recognition of the impairment loss on equity investments.

According to our estimates, impairment loss is likely range between Rs25-30/share. We also expect Rs2-4/share cash dividend with the results.

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