

April 28, 2009

**Pakistan Market****Results preview: National Bank & Bank Alfalah****MORNING BRIEFING**

KSE100 Index Closing 7344.94 ↓ (-275.93)

National Bank of Pakistan (NBP) and Bank Alfalah (BAFL) are expected to announce their 1Q (Jan-Mar) 2009 results on April 29, 2009. We expect NBP and BAFL to post earnings decline of 13% and 61%, respectively. Below we present our earnings expectations for the two banks.

**NBP: 1Q2009 EPS expected at Rs3.68, down 13%**

We expect NBP to post earnings of Rs4.0bn (EPS Rs3.68) in 1Q2009 versus earnings of Rs4.6bn (EPS Rs4.23) in 1Q2008 – a decline of 13%YoY. While Net Interest Income (NII) is expected to post a handsome growth of 21%YoY to Rs11.0bn at the back of strong advances growth, higher provisions would largely keep profits under stress. We expect provisions for Non Performing Loans (NPLs) to stand at Rs2.5bn versus Rs1.5bn in 1Q2008, a massive increase of 61%.

Moreover, the bank would recognize one fourth of the Rs2.0bn deferred impairment loss on equity investments adjusted for price movements during the period. Further, relatively weak equity market conditions would mean reduced opportunity for capital gains. As a result, non interest income is likely to decline by 22% to Rs3.2bn. We don't expect any payout with the results.

NBP currently trades at 2009E and 2010F PE of 5.9x and 5.4x, respectively, while on PBV, it trades at a respective 0.7x on both 2009E and 2010F book values. We have a 'Buy' stance on NBP at current levels.

**BAFL: EPS of Rs0.3 likely in 1Q2009**

BAFL is expected to post earnings of Rs389mn (EPS Rs0.3) versus earnings of Rs998mn (EPS Rs0.7) in 1Q2008 – a substantial decline of 61%YoY. Despite strong growth in net interest income due to higher lending rates and robust advances growth, rising Non Performing Loans (NPLs) and higher administrative expenses would keep earnings on the lower side.

We expect Net Interest Income (NII) to increase by 10% to

Rs2.9bn as against Rs2.7bn recorded in the corresponding period last year. However, provisions for NPLs are expected to witness an increase of 287% to Rs520mn as against only Rs134mn recorded in 1Q2008, hence negating the impact of higher NII. Moreover, a 30% rise in administrative expenses to Rs2.9bn is likely to keep further pressure on earnings. That said the bank would not need to recognize any impairment loss on equity investment and it had already recognized the entire loss in 2008.

BAFL is currently trading at 2009E PE & PBV of 10.0x and 0.9x, respectively. We maintain our 'Hold' stance on the scrip at current levels.

farhan.rizvi@js.com

92 (21) 111-574-111 (ext. 3096)

**National Bank of Pakistan**

<b>Market Price:</b> Rs72.66	<b>Kats Code:</b> NBP
<b>Market Cap:</b> Rs78.2bn (US\$971.5mn)	<b>Bloomberg Code:</b> NBP PA
<b>1-yrs Avg. Daily Volume:</b> 5.0mn shares, Rs545.5mn (US\$6.8mn)	<b>Reuters Code:</b> NBP.KA
<b>1-year High/Low:</b> Rs233.00/46.56	

**Bank Alfalah Limited**

<b>Market Price:</b> Rs13.13	<b>Kats Code:</b> BAFL
<b>Market Cap:</b> Rs17.7bn (US\$220.1mn)	<b>Bloomberg Code:</b> BAFL PA
<b>1-yrs Avg. Daily Volume:</b> 4.4mn shares, Rs85.1mn (US\$1.1mn)	<b>Reuters Code:</b> BAFL.KA
<b>1-year High/Low:</b> Rs57.70/9.89	

**Also in focus****ICI: 1Q2009 EPS expected at Rs2.98**

ICI Pakistan (ICI) will be holding its board meeting for the 1Q2009 result today. We expect ICI to post net earnings of Rs414mn (EPS Rs2.98) versus earnings of Rs416mn (EPS Rs3.0) last year, a decline of 1%YoY. At current levels, we have a 'Hold' stance on the scrip.

**JS Global Capital Limited**

6th Floor, Faysal House, Main Shahrah-e-Faisal, Karachi

**Research:**

Tel: +92 (21) 2799005

Fax: +92 (21) 2800163

js.research@js.com

**Fixed Income Sales:**

Tel: +92 (21) 2799541-44

Fax: +92 (21) 2800165

tariq.usman@js.com

**Equity Sales:**

Tel: +92 (21) 2799513

Fax: +92 (21) 2800166

junaid.iqbal@js.com

**Corporate Finance:**

Tel: +92 (21) 2799005

Fax: +92 (21) 2800166

azhar.iqbal@js.com

**JS RESEARCH IS AVAILABLE ON BLOOMBERG & THOMSON REUTERS**