

Banking sector exposition: Developments going forward

We have sorted banking sector valuations on the basis of outgoing 2015 results and simultaneous future PEs. Many second tier banks are sitting on lower PEs & subsequent PBVs. Some of the better second tier banks with less NPLs & increased number of branch networks sit on lower PEs in the range of 4x to 6x & PBV of less than 1x (thus underperforming).

The big-5 banks are also deciphering PE in the range of 7x – 9x and stable PBVs from 1.3x – 1.7x (below 2x). Apart from BAFL, the overall dividend yields of banks are noticeable.

There is believe that banking sector have underperformed vis-a-vis market given general perception that banks mainly thrived on earning spree on government paper; and these earnings would be lessened once investment to deposit ratio (IDR) would be lowered down. However, conversely we see

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SBP monetary policy announcement on April 9, 2016

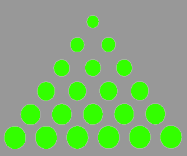
Banking sector ; low PE exposition

Symbol	Price Rs	EPS Latest Rs/sh	Hist. P/E x	Exp. P/E x	PBV x	ROE %	ROA %	Div Yield %	Avg 52 Weeks Volume
JSBL	6.75	1.89(12M)	6.8	3.5	0.5	8.1	0.6	N/m	835,390
HMB	30.3	7.31(12M)	4.1	4.1	0.9	20.79	1.56	13.38	228,264
FABL	13.56	3.52(12M)	4.2	4.2	0.6	13.91	0.98	6.75	1,225,470
AKBL	19.1	4.00(12M)	4.6	4.6	0.9	18.78	0.94	12.16	1,273,420
BAFL	25.49	4.73(12M)	5.3	5.3	0.7	14.1	0.83	4.01	1,025,064
NBP	53.47	9.03(12M)	5.8	5.8	0.7	11.42	1.13	14.44	850,892
BAHL	42.4	6.66(12M)	6.1	6.1	1.2	19.56	1.16	8.58	368,486
SNBL	13.53	2.01(12M)	6.9	6.9	0.8	12.16	0.87	9.04	137,414
ABL	86.92	13.20(12M)	7.0	7.0	1.2	16.94	1.52	7.61	171,851
HBL	174	24.18(12M)	7.2	7.2	1.5	20.64	1.67	8.08	1,017,499
UBL	150.25	21.02(12M)	7.2	7.2	1.3	18.1	1.84	8.55	1,162,022
NIB	1.85	0.25(12M)	7.3	7.3	1.1	15.27	1.07	N/m	2,775,139
SCBPL	17.5	2.40(12M)	7.4	7.4	1.1	14.99	2.08	11.27	29,829
MEBL	41.03	5.01(12M)	8.9	8.1	1.6	19.14	1.04	6.75	109,151
MCB	204.52	22.96(12M)	9.0	9.0	1.7	18.54	2.51	7.72	355,382

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trend of private sector lending has increased since 4QCY15 (Feb to Feb 9%); also noticeable through banking reports for CY15. Also second tier banks have reported branch increase, which is not a bad development in terms of business model. Nevertheless, overall net interest margins (NIMs) have come down which would likely to rebound once we see slight increase

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in interest rates somewhere in CY17. Our view is strengthened given alarming non oil trade deficit since real economy continues to feel pinch due to electricity shortages. However we expect real economy to rebound since Pakistani economics would be CPEC centric with government is forging regional alliance to fulfil energy needs. We see usage of LNG cargoes to be a good omen with many big corporate are vying for energy projects throughout Pakistan. We see banks eyeing these developments with glee.

high PE exposition

Symbol	Price	EPS Latest	Hist. P/E	Exp. P/E	PBV	ROE	ROA	Div Yield	Avg 52 Weeks Volume
SBL	7.73	0.43(12M)	17.9	17.9	0.7	3.64	0.54	N/m	108,041
SMBL	3.25	0.12(12M)	27.3	27.3	0.5	1.82	0.12	N/m	567,958
SILK	1.63	-0.22(12M)	N/m	N/m	0.9	-11.74	-1.29	N/m	2,785,677

Awaited results

Symbol	Price	EPS Latest	Hist. P/E	Exp. P/E	PBV	ROE	ROA	Div Yield	Avg 52 Weeks Volume
BOP	8.72	2.37(9M)	5.0	2.8	0.6	14.42	0.66	N/m	6,232,070
BIPL	10.53	0.13(9M)	20.4	63.5	0.6	4.57	0.31	N/m	84,988

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