

Banking sector | trends

The year is nearing its close for commercial banks. The 'big five' banks are already near peak PEs i.e. 10x or breached it comprehensively and also look heavier over PBV multiple. Nevertheless, they may look good given increase in private sector credit alongside increase in interest rates going forward. Government may also off load part of its holding, as tentative dates for UBL & ABL have already been given. The big five banks could be compared with peer Chinese & Indian banks wherein they still look compelling in terms of valuations.

Some of the middle tier banks are struggling yet we see noticeable progress in their top management alongside investment banking teams & fund management to rejuvenate their non-core earnings. Already we see stringent capital maintenance perused by SBP to be a good omen.

Banking sector snapshot

Symbol	EPS Annual	EPS Latest	P/E	Exp P/E	PBV	ROE	Dividend Yield	Paid-up Capital (Rs in mn)
FABL	1.5	1.41(9M)	7.3	6.0	0.5	6.7	N/m	10,433
BOK	1.2	0.90(9M)	6.3	6.3	0.6	8.4	N/m	10,004
SNBL	1.0	0.84(9M)	7.9	7.0	0.5	7.1	N/m	11,025
HMB	3.3	2.50(9M)	7.9	7.7	1.0	13.4	7.8	10,478
BAFL	3.4	2.46(9M)	8.0	8.3	1.2	13.6	7.39	13,492
ABL	11.2	8.01(9M)	8.2	8.6	1.6	23.4	7.11	10,410
BAHL	5.4	3.65(9M)	7.9	8.7	1.8	22.8	7.06	10,104
SCBPL	1.5	1.90(9M)	9.9	9.0	1.0	10.0	7.16	38,716
UBL	14.7	10.57(9M)	8.6	9.4	1.6	19.6	6.74	12,242
MEBL	3.5	1.93(6M)	11.2	10.2	2.2	24.6	3.83	10,027
HBL	16.2	11.62(9M)	10.2	10.6	1.7	20.4	4.56	13,335
SBL	0.2	0.03(9M)	16.9	11.9	0.5	2.9	N/m	8,082
JSBL	0.7	0.28(9M)	6.5	12.3	0.5	4.8	N/m	10,725
MCB	20.7	16.98(9M)	13.8	12.6	2.7	21.9	4.55	10,118
NBP	7.6	2.94(9M)	7.7	14.9	0.9	13.3	12.02	21,275
BIPL	0.8	0.18(9M)	9.3	30.3	0.7	7.7	N/m	5,280
SMBL	-2.5	-1.67(9M)	N/A	N/m	0.6	3.7	N/m	10,780
SILK	-0.1	-0.23(9M)	8.9	N/m	1.1	12.3	N/m	26,716
NIB	-0.2	0.10(9M)	N/A	N/m	2.1	1.7	N/m	103,029
KASBB	-0.6	-0.22(9M)	-3.4	N/m	1.5	4.6	N/m	19,509
AKBL	1.5	-4.86(9M)	9.3	N/m	0.7	9.2	N/m	12,603

Source: www.scstrade.com

Among middle tier banks we see few good options emanating such as FABL, BoK, SNBL & AKBL after capital rejuvenation i.e. meeting minimum capital requirement of Rs10bn by the end of 2013. However, apart from AKBL, the banks mentioned in middle tier would still be under spot light in CY14 since we may see further strengthening of requirement.

The third tier banks may have large capital base yet their earnings spree is not noticeable. Hence we sense them to struggle in following years.

We expect off loading of government stakes to be one good trigger in the context of the market.

News alerts

Total liquid foreign reserves \$8.5bn

- Held by SBP \$3.46bn
- Held by banks \$5.60bn

During last week addition \$ 505mn

\$550mn expected as 2nd tranche under EFF

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