

Soneri Bank – Good story...

Initiation of coverage...

We are watching out Soneri Bank (SNBL) which is operating with 249 conventional banking branches. The bank branches got the ability to increase loan book from existing Rs100.5bn, given relatively lower lending rates.

The board meeting of Soneri Bank (SNBL) will be held on February 11, 2016. We expect SNBL to report CY15 EPS of Rs 1.99/sh (4Q EPS could notch Re0.55/sh) thus showing consistency in earnings q-o-q basis.

SNBL core income remains resilient...

Our thrust of coverage in SNBL is its ability to increase net interest earned capacity (Rs19bn as per our estimation during concluded CY15 vs Rs16.6bn reported in CY14). The net interest margins is set grow (our NIMs estimations around 4.5%) wherein we also expect NII of Rs7.5bn during CY15 vs Rs6.2bn reported last year.

We also expect loan book to grow in 4Q from Rs100.5bn reported in 9MCY15. Going forward, we see SNBL has the ability to increase its loan exposure against SMEs at a time when lending rates have gone down. The company has a good exposure against food & allied sector i.e. 33%.

Provisions against NPLs adequately provided...

We are particularly encouraged by the bank's ability to adequately provide against NPLs wherein bank has yet to provide Rs2.4bn as at September 30, 2015. SNBL still has the ability to report good 4Q earnings (Re0.55/sh as per our estimations).

We consider SNBL as a good investment case.

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Valuations

Price Rs 15.07
Chg Re 0.08+

CY14 EPS Rs 1.44
CY15E EPS Rs 1.99

CY14 PE 10x
CY15E PE 7.5x

CY14 PBV 0.88x
CY15E PBV 0.85x

CY14 DPS Rs 1
CY15E DPS Rs 1.5

CY15E Div.yield 10%

Assumption basis...

Historical Payout 69.5%
Expected ADR 57.9%
Cash to deposit 8%
NIMs 4.5%

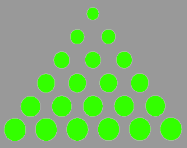
SNBL relative index ~ Indeed outperformance vis-a-vis KSE100



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Non-core income increasing....

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SNBL was also active in jacking income from non-core operations i.e. against commercial paper & equity book. We expect SNBL's gain on sale could increase upto Rs1bn wherein total non-core income is also set to rise upto Rs 3.5bn vs Rs2.4bn reported in CY14. The equity book has also increased which is a good omen.

SNBL has a huge remunerative deposit base ...

SNBL sitting with deposit base of Rs176bn wherein remunerative deposit base is set to grow (we expect it to reach Rs190bn in concluded CY15)

Expected price to book is 0.85x; expected cash yield 10% if SNBL pays Rs1.5/sh cash dividend

~ The expected book value remains Rs17/sh wherein SNBL expected price to book of 0.85x.

~ Also expected dividend yield set to grow 10% at the premise of Rs2/sh final dividend in CY15 (cumulative Rs4/sh).

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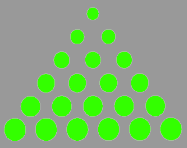
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