

Faysal Bank Ltd

Result Preview - CY15

The BoD of Faysal Bank Limited (FABL) is scheduled to meet to consider CY15 earnings on February 25, 2016 where we foresee the bank to post PAT of PKR4.2bn (EPS: PKR3.49) against preceding year same period earnings of PKR2.5bn (EPS: PKR2.06), an astounding growth of 69% Y/Y. This translates into 4QCY15 earnings of PKR825mn (EPS: PKR0.69), recording an increment of 4% Q/Q driven by capital gains, lower taxation charges and administrative expenses. We expect the bank to announce a cash payout of PKR1.00-1.15/share.

Performance Preview 4QCY15

- Deposits for the bank are likely to ratcheted up by a substantive 10.6% Q/Q, enabling FABL to break the 300mn mark (PKR319mn). On the flip side, loan book is also anticipated to expand by 8% Q/Q
- We foresee core funded income to be slashed by 12% Q/Q primarily due to a 5% Q/Q shrinkage in interest income on the back of laggard asset pricing coupled with low quantum of high yielding PIBs (25% of deposits). On the other hand, interest expenses are likely to decline by 1% Q/Q
- Provisioning against NPLs is expected to remain subdued at PKR170mn with Agri-tech exposure being fully provisioned for in the quarter under review
- On a sequential basis, we expect non-core income to witness an uptick of 8% Q/Q driven by robust fee income
- Bottom line will be supported by a 12% Q/Q tapering in administrative expenses due to lower pension cost

Investment Perspective

FABL is currently trading at a trailing PBV of 0.71x. We are currently in the process of updating our valuation and will inform our investors shortly.

Earnings Summary

PKR mn	CY15E	CY14A	Change YoY	4QCY15E	3QCY15A	Change QoQ
Mark-up Return	32,218	32,313	0%	7,625	8,057	-5%
Mark-up Expense	18,608	18,480	1%	4,633	4,660	-1%
Net Provisioning	1,501	2,359	-36%	287	230	24%
Net Mark-up income	12,109	11,474	6%	2,705	3,167	-15%
Non-Mark-up income	5,512	4,374	26%	981	907	8%
Expenses	10,762	12,296	-12%	2,413	2,851	-15%
Profit Before Taxation	6,859	3,552	93%	1,274	1,223	4%
Taxation	2,672	1,075	2.49	449	428	5%
Profit after Taxation	4,187	2,477	69%	825	794	4%
EPS (Diluted)	3.49	2.06	-	0.69	0.66	-
DPS	1.00	15%B	-	1.00	-	-

Source: HMFS Research

Note: Please refer to the last page for Analyst Certification and other important disclosures.



Feb 23, 2016

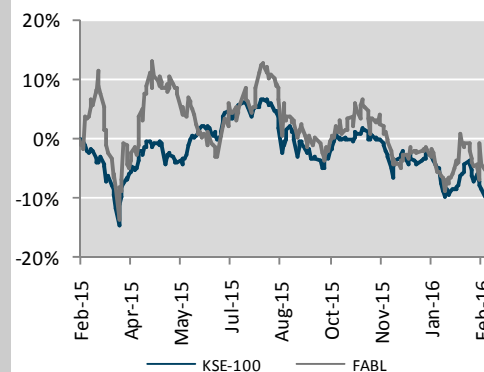
Market Data

KATS Code :	FABL
Current Price (PKR) :	14.84
52 Week Hi (PKR) :	17.70
52 Week Low (PKR) :	13.54
Avg Turnover :	1.42mn
Free Float :	35%
Share in Issues (PKR) :	1,199.76mn
Market Capitalization (PKR) :	17.80bn

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Relative Performance



Source: HMFS Research

Bank Alfalah Ltd

Result Preview - CY15

Bank Alfalah Ltd (BAFL) BoD is scheduled to meet on February 29, 2016 for the consideration of financial year CY15 results. We expect the bank to post earnings of PKR2.4bn (EPS:PKR1.51) in 4QCY15 in contrast with the preceding year same period earnings of PKR1.6bn (EPS of PKR1.20) depicting a surge of 25% Y/Y and 3% Q/Q. This will take CY15 cumulative bottom-line to PKR8.45bn (EPS: PKR5.30), recording a whopping jump of 71% Y/Y despite imposition of one time super tax of 4%. The astounding ballooning of profitability is underpinned by stout core income and strenuous efforts by the bank to shed its costly deposits. BAFL is also expected to declare a cash dividend of PKR3.00-3.50/share.

4QCY15 Earnings at a Glance

- BAFL deposits and advances are likely to follow the industry trends, expanding by 7.32% Q/Q and 7% Q/Q respectively where we anticipate continued focus on curtailment higher cost deposits. ADR of the bank is expected to remain healthy at 51.40%
- NII for the bank is forecasted to dial in at PKR7.4bn, recording a menial growth of 0.52% Q/Q where mark-up interest income is likely to slump by 2% Q/Q. Cost of funds is expected to witness a steeper recession of 5% Q/Q due to healthy CASA of above 70%
- Coverage against bad loans is anticipated to remain normalized at PKR180mn where BAFL has obtained relaxation against Nandipur power plant till 1HCY16 (PKR3.7bn)
- Non-core income is likely to record an increment of 7% Q/Q with contributions from fee based income as it records a growth of nearly 12% Q/Q due to Amreli IPO proceeds. We do not foresee bank booking substantial gains on their investment book

Investment Perspective

With an average ROE of nearly 20% for the forecasted period, BAFL offers a potential upside of 21.5% to our December'16 target price of PKR32/share (provisional indicative value). We recommend a **BUY** on the stock.

Earnings Summary

PKR mn	CY15E	CY14A	Change YoY	4QCY15E	3QCY15A	Change QoQ
Mark-up Return	60,894	55,378	10%	14,663	14,981	-2%
Mark-up Expense	32,259	33,505	-4%	7,283	7,640	-5%
Net Provisioning	1,573	1,534	3%	219	143	53%
Net Mark-up income	27,062	19,628	33%	7,160	7,199	-1%
Non-Mark-up income	8,970	9,036	-1%	2,197	2,045	7%
Expenses	22,016	20,863	6%	5,623	5,538	2%
Profit Before Taxation	14,017	7,802	65%	3,735	3,706	1%
Taxation	5,564	2,873	94%	1,326	1,366	-3%
Profit after Taxation	8,453	4,929	50%	2,409	2,340	3%
EPS (Diluted)	5.29	3.53	-	1.51	1.47	-
DPS	3.50	2.00	-	3.50	-	-

Source: HMFS Research

Note: Please refer to the last page for Analyst Certification and other important disclosures.



Feb 23, 2016

Market Data

KATS Code :	BAFL
Current Price (PKR) :	26.32
52 Week Hi (PKR) :	32.64
52 Week Low (PKR) :	23.90
Avg Turnover :	1.22mn
Free Float :	50%
Share in Issues (PKR) :	1,596.65mn
Market Capitalization (PKR) :	42.02bn

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Relative Performance



Source: HMFS Research

Analyst Certificate

The research analyst denoted AC on the cover of the report on with the name of analyst who has written the report. The analysis and views express in this report exclusively reflect his/her personal views about the subject, company or security. Furthermore his/her compensation was, is or will not be directly related to the recommendation or views articulated in this report. The information provided in this report is based on information available to the analyst and in accordance with best of his/her knowledge.

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