

FABL confirmed as RBS Pakistan bid winner

In separate notifications to the KSE today, Faysal Bank (FABL) and RBS Pakistan confirmed signing of an agreement, which will allow FABL to take over local operations of RBS, upon regulatory approval. According to the agreement, FABL will acquire 99.37% holding of RBS Pakistan for a total consideration of EUR41mn (US\$50.3mn) which culminates in a share price of Rs2.5 and a P/B multiple of 0.56x. This takeover appears to be the cheapest amongst the domestic transactions in the recent past. During the economic boom (FY03-FY08) we saw a large number of private sector acquisitions including Union Bank, Prime Bank, PICIC & MCB Bank (20% strategic stake). These transactions were carried out an average premium of 4.5x BV while banks were then trading at an average PBV of 2.2x.

The acquisition would take FABL's branch network to 213, from 134 branches currently. FABL would also leapfrog four places to 7th in terms of total gross advances in the industry, which would rise to Rs154bn. In terms of deposits, the bank would move up one place to the 10th, with combined deposits reaching Rs175bn; and it would also jump to tenth place in terms of assets.

This was the second time the bidding took place, after an earlier bid won by MCB Bank failed to go through due to regulatory issues last year. MCB had agreed to pay US\$87mn for the bank which translated to a P/B multiple of 0.73x.

We maintain our 'Hold' call on FABL.

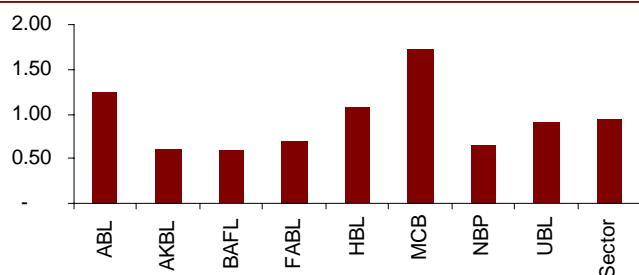
FABL & RBS - Key Highlights

(Rs mn)	Total Assets	Deposits	Gross Advances	Branches
FABL	164,449	110,844	101,676	134
RBS Pakistan	87,987	64,637	52,769	79
Combined	252,436	175,481	154,445	213

Source: Annual reports

* Assuming Rs4.3bn acquisition funds are internally generated

JS Universe banking sector 2010E PBV (x)



Source: JS Research

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