

FABL likely to have won RBS Pakistan bid

According to news reports, Faysal bank has won the bid for the local operations of RBS Pakistan, beating Egypt's EFG Hermes and Pakistan's Soneri bank amongst others. This was the second time the bidding took place, after an earlier bid won by MCB Bank failed to go through regulatory issues, last year.

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 gross advances, as the combined figure would reach Rs154bn. However, in terms of deposits, the bank would only overtake Habib Metropolitan to come at 10th place, with combined deposits of Rs175bn. As far as total assets our concerned, the entity would become the 10th largest, with assets crossing Rs257bn.

Although an official announcement is awaited, we expect the transaction to be worth substantially higher than the US\$87mn (Rs7.3bn) agreed by MCB Bank. Moreover, news report suggests that the funds for acquisition will be procured internally and domestically.

FABL is currently Pakistan's 11th largest bank in terms of total assets. The bank recently recorded a gain on redemption of NIT portfolio which led 1Q2010 earnings to rise to Rs1.7bn (EPS Rs2.77). We currently maintain our 'Hold' stance on the scrip, which trades at a 2011F PE and PBV of 10x and 0.6x, respectively.

FABL & RBS - Key Highlights

(Rs mn)	Total Assets	Deposits	Gross Advances	Branches
FABL	168,747	110,844	101,676	134
RBS Pakistan	87,987	64,637	52,769	79
Combined	256,734	175,481	154,445	213

Source: Annual reports

Mustufa Bilwani
mustufa.bilwani@js.com
92 (21) 111-574-111(Ext. 3100)