

# Flash Note

Wednesday, 28 February 2018

## Commercial Banks

### FABL: 4QCY17 profits rose +27%YoY on the back of higher net interest income

- Faysal Bank Limited (FABL) reported unconsolidated earnings of PKR 691mn (EPS: PKR 0.52) for 4QCY17, up by +27%YoY (down by 28%QoQ). This brings CY17 total earnings to PKR 4516mn (EPS: PKR 3.42), up by +5%YoY.
- Despite lower yields, the bank reported +14%YoY rise in net interest income likely due to growth in earning asset base. Similarly, for CY17, net interest income grew by +16%YoY.
- During the quarter, the bank experienced strong growth in non-interest income on the back of +51%YoY rise in fee income. However, on a calendar year basis, despite high fee income (+22%YoY), non-interest income declined due to significantly lower capital gains and dividend income (down 68%YoY). We expect to get further details on the growth in fee income during analyst briefing.
- Operating expenses (up +16%YoY) could not be contained during the quarter, taking CY17 expense growth to +10%YoY. We await analyst briefing to get clarity on the reasons for such high degree of expense growth.
- Provision charge remained relatively stable during the quarter at PKR 258mn compared to PKR 276mn in same period last year, sourced primarily from provision for diminution of investments. However cumulatively, FABL booked a reversal of PKR 507mn in CY17 compared to a charge of PKR 558mn due to significant NPL reversals in 9M CY17.

Exhibit:

#### FABL Result Highlights

| PKRmn (Period end=Dec)     | 4QCY17       | 4QCY16       | YoY        | CY17          | CY16          | YoY         |
|----------------------------|--------------|--------------|------------|---------------|---------------|-------------|
| Interest Earned            | 7,485        | 6,641        | 13%        | 28,791        | 26,201        | 10%         |
| Interest Expensed          | 3,884        | 3,474        | 12%        | 14,831        | 14,134        | 5%          |
| <b>Net Interest Income</b> | <b>3,601</b> | <b>3,167</b> | <b>14%</b> | <b>13,960</b> | <b>12,066</b> | <b>16%</b>  |
| Fee Income                 | 971          | 644          | 51%        | 3,087         | 2,529         | 22%         |
| Capital Gain & Div. Income | (81)         | (226)        | -64%       | 1,001         | 2,380         | -58%        |
| <b>Non-Interest Income</b> | <b>1,288</b> | <b>1,156</b> | <b>11%</b> | <b>5,614</b>  | <b>6,768</b>  | <b>-17%</b> |
| Total Revenue              | 4,890        | 4,323        | 13%        | 19,574        | 18,834        | 4%          |
| Operating Expenses         | 3,699        | 3,188        | 16%        | 12,779        | 11,612        | 10%         |
| Pre-Provisioning Profits   | 1,191        | 1,135        | 5%         | 6,796         | 7,223         | -6%         |
| Provision (Rev.) / Charge  | 258          | 276          | -7%        | (507)         | 558           | n.m         |
| Pre-Tax Profits            | 920          | 850          | 8%         | 7,270         | 6,649         | 9%          |
| Taxation                   | 229          | 306          | -25%       | 2,755         | 2,357         | 17%         |
| <b>Profit After Tax</b>    | <b>691</b>   | <b>544</b>   | <b>27%</b> | <b>4,516</b>  | <b>4,292</b>  | <b>5%</b>   |
| EPS (PKR)                  | 0.52         | 0.41         |            | 3.42          | 3.25          |             |
| DPS (PKR)                  | -            | -            |            | -             | -             |             |
| BVPS (PKR) Est.            | 29.31        | 27.44        |            |               |               |             |

#### KEY RATIOS

|                       |     |     |  |     |     |  |
|-----------------------|-----|-----|--|-----|-----|--|
| Cost-To-Income Ratio  | 76% | 74% |  | 65% | 62% |  |
| Effective Tax Rate    | 25% | 36% |  | 38% | 35% |  |
| Non-IT / Total Income | 26% | 27% |  | 29% | 36% |  |

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1319.7

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IGI Finex Securities Limited

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