

## Company Update

Faysal Bank Limited (FABL)

### Commercial Banks

## FABL: Corporate Briefing Takeaways - 2021

- Faysal Bank Limited (FABL) held its 2021 annual corporate briefing session. We highlight some of the key takeaways from the meetings. To recall, Bank reported EPS of PKR 5.4 during CY21, up by +25%/y
- Net investment is well positioned to benefit from the rising interest rate environment. Bank's CAR dropped to 17.5% from 18.7% in CY20, due to rupee devaluation, and significant balance sheet growth, yet comfortable from management's perspective.
- Bank management expects 50bps further rate hike in 2022, at the earliest monetary policy statement (Mar-22). There is still more room for conservative stance, for now there is some accommodation. ADR projected to be between 65-67% in CY22. IFRS-9 already implemented in Bahrain, and soon will cover domestically after methodology provided by SBP. Pure Islamic conversion to take place in 2023.

### Relative Price performance



Faysal Bank Limited (FABL) held its 2021 annual corporate briefing session. We highlight some of the key takeaways from the meetings.

### FABL reported EPS of PKR 5.4 during CY21, up by +25%/y

To recall, the bank reported net-interest income of PKR 25.8bn (up by +5%) and non-interest income of PKR 8.45bn (up by +3%). As a result total revenue of the bank stood at PKR 34.3bn (up by +5%). Moreover, the bank recorded operating expenses of PKR 20.9bn (up by +6%) which slightly deteriorated bank's cost/income ratio to 60.9% (last year: 60.2%). In addition to that, the bank booked a provisioning charge of PKR 48mn during 4QCY21 bank booked in a provisioning reversal of PKR 168mn) compared to last year provision charge of PKR 2,254mn.

### Exhibit: Financial Highlights Faysal Bank Limited (FABL)

Latest result published for year 2021

Period (PKRmn)	2021	4q2021	3q2021	2q2021	1q2021	2020
Net Interest Income	25,834	6,935	7,005	6,477	5,417	24,534
Fee Income	5,100	1,357	1,311	1,291	1,141	3,861
Treasury Income	3,153	604	829	707	1,013	4,168
Non-Interest Income	8,455	2,040	2,140	2,049	2,226	8,231
Total Revenue	34,289	8,975	9,145	8,526	7,643	32,765
Operating Expenses	-20,887	-5,695	-5,536	-4,972	-4,684	-19,740
Provision charge	-48	168	-227	-521	533	-2,254
Tax Charge	-5,256	-1,397	-1,333	-1,116	-1,410	-4,260
Profit After tax	8,153	2,085	2,049	1,917	2,103	6,511
EPS	5.4	1.4	1.3	1.3	1.4	4.3
DPS	1.5	-	-	0.5	-	-

Source: Company accounts, IGI Research, PSX

No. of shares: 1517.7mn

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### Investments

As per the management, net investment book is well positioned to benefit from the rising interest rate environment. Total investment size as of Dec-21 stood at PKR 357.5bn (significant change compared to last year that was PKR 276.9bn, +29.1%y) of which bank heavily invested in government securities, almost 80% of total investment portfolio (last year was 74%), 17% invested in corporate debt securities (last year was 23%), and the remaining in shares and mutual funds. Composition in terms of Islamic and conventional securities are 47% and 53% respectively (last year 79% was invested in conventional while 21% in Islamic). The bank holds PIBs and Sukuks, but not looking to invest in new ones despite favorable yields, instead funds to be allocated in new Sukuk issues.

### Advances

During 2021, bank's net advance loans stood at 396bn (+24.6%y) compared to last year of 318.2bn, taking its total ADR to 61.4% compared to last year net ADR of 58.8%. Majority of this growth was on the back of increasing economic activities, particularly corporate segment. In addition, prudent risk management ensured lower provisions and significant reductions in NPLs (5.6%, down from 8.3%).

### Deposits

Total deposit base of the bank reached to PKR 644bn, (+19.1%y and CAGR of 14.7% from CY17-21). The deposit mix comprised of 33% current, 42% saving, and the remaining in term deposits. In terms of sector wise, 63% came from individuals, 8% from NBFIs, 2% govt., 4% PSEs, and remaining from banking companies.

### Capital

Bank's Capital Adequacy Ratio (CAR) dropped to 17.5% from 18.7% in CY20, due to rupee devaluation, and significant balance sheet growth, yet comfortable from management's perspective. Looking ahead, management believes car to improve going forward.

### Outlook

Bank management expects 50bps further rate hike in 2022, at the earliest monetary policy statement (Mar-22). There is still more room for conservative stance, for now there is some accommodation. ADR projected to be between 65-67% in CY22. IFRS-9 already implemented in Bahrain, and soon will cover domestically after methodology provided by SBP. License for pure Islamic banking will be granted by SBP once portfolio reaches 85-90%. Revenue to increase with gradual maturity of new branches opening. Payouts to resume once conversion to pure Islamic banking materializes, a buffer has been created to mitigate risks. Bank's next year ROE targeted at 18-20%, minimum CAR of 14% and CIR to reach 55-58%. Pure Islamic conversion to take place in 2023.

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# Day Break

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