

Flash Note

Wednesday, 27 April 2016

Commercial Banks

FABL: Capital Gains Lifts up Quarterly Profits to PKR 1.13/Share (+58%QoQ)

- Faysal Bank Limited (FABL) reported its 1QCY16 earnings of PKR 1.4bn (EPS PKR 1.13) up by +58%QoQ (down by 28%YoY).
- Bank's interest income depicted a decline of 6%QoQ (down by 16%YoY), owing to sequential decline in interest earned, which was down by 12%QoQ (decline of 20%YoY).
- Nevertheless, higher capital gains to the tune of PKR 0.7bn supported +63%QoQ (down by 21%YoY) growth in non-interest income. As a result overall revenue of the bank reported a +10%QoQ (down by 18%YoY) growth.
- Bank's operating expense dropped by 7%QoQ (down by 6%YoY) in absence of major branch expansion and lower salary expense, in our view. Provisioning charge against advances edged up to PKR 122mn compared to previous quarter PKR 77mn.

Recommendation

The scrip is currently trading at cheap price multiples CY16E P/B of 0.5x and P/E of 4.2x with our Dec-16 TP of PKR 17.3/share, the stock offers upside of +30.4% and we maintain our 'BUY' call on the scrip.

Exhibit: Financial Highlights

PKRmn (Period end=Dec)	1QCY16	1QCY15	YoY	4QCY15	QoQ
Interest Income	3,145	3,765	-16%	3,336	-6%
Non-Interest Income	1,681	2,141	-21%	1,034	63%
Total Revenue	4,827	5,906	-18%	4,370	10%
Operating expenses	2,641	2,795	-6%	2,855	-7%
Pre-provisioning Operating Profits	2,186	3,111	-30%	1,515	44%
Provisioning Charge	91	234	-61%	186	-51%
Pre-Tax Profits	2,088	2,875	-27%	1,334	56%
Taxation	730	994	-27%	474	54%
Profit After Tax	1,357	1,881	-28%	860	58%
EPS	1.13	1.57		0.72	
DPS	-	-		1.00	
BVPS	26.4	23.3	13%	25.3	4%

Source: IGI Research, Company Financials

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Analyst Certification

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Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- Justified Price to book

Time Horizon

- Dec-16

Risk

- Changes in State Bank of Pakistan Policy Rate

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