

Flash Note

Thursday, 24 October 2019

Commercial Banks

Faysal Bank Limited (FABL)

Strong revenue growth and curtailed by high Opex; EPS up by +20%/y/y to PKR 0.93/share; DPS PKR NIL

- On unconsolidated basis, FABL posted earnings of PKR 1.4bn (or PKR 0.9/share) up by +20% y/y for 3q 2019, taking its 9m cumulative earnings to PKR 7.5bn (or PKR 2.9/share) an increase of +23% y/y compared to last year. The bank did not announce any cash dividend.
- Bank's net interest income printed an impressive growth of +32% y/y to PKR 5.1bn during 3q and +37% y/y on 9m basis versus +7% y/y previous year same period. Bank's interest earned showed a +72% y/y in 9m versus 2x increase in interest expense, mainly due to high deposit cost of the bank. Moreover, despite posting loss on sale of security of PKR 0.2bn and low fee income, bank's non-funded income (NFI) managed to a meagre +2% y/y. Bank's administration cost increased by +21% y/y during the 3q 2019 versus +12% y/y in 2q, taking its C/I ratio back to ~65% and ~57% in 1h.

Exhibit: Faysal Bank Limited (FABL) Financial highlights

Period end (Dec) - PKRbn	3Q'19	2Q'19	1Q'19	9m' 19	9m' 18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Income	5.1	5.1	4.9	15.1	11.0	16.3	5.2	3.8	3.8	3.4	13.9	3.6	3.3	3.5	3.5	12.1
NII Growth YoY	32%	34%	46%	37%	7%	17%	47%	15%	9%	-4%	15%	13%	18%	20%	12%	-14%
Fee Income	1.0	1.2	0.8	2.9	2.5	3.5	1.0	0.8	1.0	0.8	3.1	1.0	0.7	0.7	0.7	2.7
Non-Interest Income	1.5	2.0	1.7	5.2	4.7	6.3	1.6	1.5	1.7	1.5	5.6	1.3	1.1	1.2	2.0	7.0
NFI Growth YoY	2%	18%	12%	11%	9%	11%	19%	33%	38%	-24%	-19%	-2%	-16%	-53%	19%	25%
Total Revenue	6.6	7.1	6.6	20.3	15.7	22.5	6.8	5.3	5.5	4.9	19.6	4.9	4.4	4.7	5.5	19.0
Non-II / Total Revenue	23%	28%	26%	26%	30%	28%	23%	27%	31%	31%	29%	27%	25%	26%	36%	37%
Total Revenue Growth YoY	24%	29%	36%	29%	7%	15%	39%	19%	17%	-11%	3%	8%	7%	-15%	14%	-3%
Admin	4.2	3.9	3.8	11.9	10.1	14.5	4.4	3.5	3.5	3.1	12.6	3.7	3.1	3.0	2.8	11.7
Operating Expenses	4.3	4.0	3.9	12.1	10.3	14.8	4.4	3.5	3.6	3.2	12.8	3.7	3.2	3.1	2.8	11.8
OPEX Growth YoY	21%	12%	20%	18%	14%	16%	20%	11%	17%	13%	8%	10%	11%	5%	8%	5%
Cost-To-Income Ratio	65%	56%	58%	60%	66%	65%	65%	67%	65%	65%	65%	76%	71%	65%	52%	62%
PPOP	2.3	3.1	2.8	8.2	5.4	7.8	2.4	1.8	2.0	1.7	6.8	1.2	1.3	1.7	2.7	7.2
PPOP Growth YoY	29%	60%	65%	52%	-3%	14%	98%	39%	17%	-36%	-6%	3%	-1%	-36%	22%	-13%
Provisioning Charge	0.1	0.9	(0.2)	0.7	(0.8)	(0.4)	0.4	(0.2)	(0.3)	(0.3)	(0.5)	0.3	(0.2)	(0.2)	(0.3)	0.6
EO/one-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	2.2	2.2	3.0	7.5	6.2	8.2	2.0	2.0	2.2	2.0	7.3	0.9	1.5	1.9	2.9	6.7
Taxation	0.8	0.8	1.4	3.0	2.6	3.4	0.7	0.8	1.0	0.8	2.8	0.2	0.5	0.9	1.1	2.4
Effective Tax Rate	37%	37%	46%	41%	42%	41%	36%	41%	47%	39%	38%	26%	36%	48%	36%	35%
Profit After Tax	1.4	1.4	1.6	4.4	3.6	4.8	1.2	1.2	1.2	1.2	4.5	0.7	1.0	1.0	1.9	4.3
PAT Growth YoY	20%	18%	32%	23%	-7%	7%	82%	21%	20%	-35%	5%	19%	4%	-31%	38%	3%
EPS	0.93	0.93	1.06	2.92	2.37	3.19	0.82	0.77	0.79	0.80	2.98	0.45	0.64	0.66	1.24	2.85
DPS	-	-	-	-	-	1.00	1.00	-	-	-	-	-	-	-	-	-
BVPS	31.5	30.6	29.8	31.5	27.3	28.7	28.7	27.9	27.3	27.9	25.9	25.8	25.0	24.5	24.7	23.1
Interest Earned	15.5	13.5	12.2	41.3	24.0	35.2	11.2	8.7	8.1	7.2	28.8	7.5	7.1	7.3	6.9	26.2
Interest Expense	10.5	8.4	7.3	26.1	13.0	18.9	6.0	4.9	4.3	3.8	14.8	3.9	3.8	3.8	3.4	14.1
Interest Earned growth	78%	68%	69%	72%	69%	22%	50%	22%	11%	5%	10%	12%	13%	12%	2%	-19%
Interest Expense growth	115%	98%	89%	101%	81%	28%	53%	29%	13%	13%	5%	12%	10%	5%	-6%	-23%

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