

Flash Note

Friday, 23 August 2019

Commercial Banks

Faysal Bank Limited (FABL)

High provisioning charge; EPS up by +18%/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 +18% y/y for 2q 2019, taking its 1h cumulative earnings to PKR 3.0bn (or PKR 2.0/share) an increase of +25% y/y compared to last year.
- Bank's net interest income printed an impressive growth of +34% y/y to PKR 5.1bn during 2q compared to an increase of +46% y/y in the previous quarter. This takes 1h 2019 NII, to PKR 10.1bn a growth of +40%/y/y compared to PKR 7.2bn last year same period (up by +3%/y/y). Moreover, despite posting loss on sale of security of PKR 0.3bn, bank's non-funded income (NFI) increased by +18%/y/y thanks to a +24%/y/y growth in fee income.
- Bank's administration cost increased by +12% y/y during the 2q 2019 lowering its C/I ratio to 56% and 57% in 1h compared to 65% in 1h 2018. Nevertheless, key concern during the 2q result was higher provision charge of PKR 0.9bn shaving-off nearly PKR 0.6/share pre-tax earnings.

Exhibit: Faysal Bank Limited (FABL) Financial highlights

Period end (Dec) - PKRbn	2Q'19	1Q'19	2H'19	2H'18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Earned	13.5	12.2	25.7	15.3	35.2	11.2	8.7	8.1	7.2	28.8	7.5	7.1	7.3	6.9	26.2
Interest Expense	8.4	7.3	15.7	8.1	18.9	6.0	4.9	4.3	3.8	14.8	3.9	3.8	3.8	3.4	14.1
Net Interest Income	5.1	4.9	10.1	7.2	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	34%	46%	40%	3%	17%	47%	15%	9%	-4%	15%	13%	18%	20%	12%	-14%
Fee Income	1.2	0.8	2.0	1.7	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	2.0	1.7	3.7	3.2	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	18%	12%	15%	0%	11%	19%	33%	38%	-24%	-19%	-2%	-16%	-53%	19%	25%
Total Revenue	7.1	6.6	13.8	10.4	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	28%	26%	27%	31%	28%	23%	27%	31%	31%	29%	27%	25%	26%	36%	37%
Total Revenue Growth YoY	29%	36%	32%	2%	15%	39%	19%	17%	-11%	3%	8%	7%	-15%	14%	-3%
Admin	3.9	3.8	7.7	6.7	14.5	4.4	3.5	3.5	3.1	12.6	3.7	3.1	3.0	2.8	11.7
Operating Expenses	4.0	3.9	7.9	6.8	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	12%	20%	16%	15%	16%	20%	11%	17%	13%	8%	10%	11%	5%	8%	5%
Cost-To-Income Ratio	56%	58%	57%	65%	65%	65%	67%	65%	65%	65%	76%	71%	65%	52%	62%
PPOP	3.1	2.8	5.9	3.6	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	60%	65%	62%	-16%	14%	98%	39%	17%	-36%	-6%	3%	-1%	-36%	22%	-13%
Provisioning Charge	0.9	(0.2)	0.7	(0.6)	(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	3.0	5.2	4.2	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	1.4	2.2	1.8	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%	46%	42%	43%	41%	36%	41%	47%	39%	38%	26%	36%	48%	36%	35%
Profit After Tax	1.4	1.6	3.0	2.4	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	18%	32%	25%	-16%	7%	82%	21%	20%	-35%	5%	19%	4%	-31%	38%	3%

EPS	0.9	1.1	2.0	1.6	3.2	0.8	0.8	0.8	0.8	3.0	0.5	0.6	0.7	1.2	2.9
DPS	-	-	-	-	1.0	-	-	-	-	-	-	-	-	-	-
BVPS	30.8	29.8	30.8	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	13.5	12.2	25.7	15.3	35.2	11.2	8.7	8.1	7.2	28.8	7.5	7.1	7.3	6.9	26.2
Interest Expense	8.4	7.3	15.7	8.1	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	68%	69%	68%	8%	22%	50%	22%	11%	5%	10%	12%	13%	12%	2%	-19%
Interest Expense growth	98%	89%	94%	13%	28%	53%	29%	13%	13%	5%	12%	10%	5%	-6%	-23%

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