

Flash Note

Friday, 28 April 2017

Commercial Banks

FABL: Impressive earnings display led by improved interest income; 1QCY17 EPS PKR 1.56/share up +2.4xQoQ

- Faysal Bank Limited (FABL) reported its 1QCY17 earnings at PKR 1.87bn (or PKR 1.56/share) up +2.4xQoQ (or +38%YoY).
- We note, FABL is amongst a very few banks that have managed registered impressive growth in net interest income during the 1QCY17. For the period the bank recorded a net interest income growth of +11%QoQ (+12%YoY). FABL, interest income earned increased by +4%YoY (+2%YoY) we believe this is likely on account of bank's aggressive consumer lending strategy; while bank's interest expense declined by 2%QoQ (or 6%YoY) on improving CASA ratio (64% recorded in CY16).
- Further surprise came on NPL reversals of PKR 204mn during the quarter.
- The bank during the quarter realised capital gains worth PKR 0.96bn (or PKR 0.8/share).
- Bank's operating expense was also down by +11%QoQ (or up by +8%YoY). With total revenue up +27% and slowdown witnessed in operating expense bank's cost-to-income ratio declined to 52% from 74% recorded in 4Q (61.7% in CY16).

Exhibit:

FABL Result Highlights

PKRmn (Period end=Dec)	1QCY17	1QCY16	YoY	4QCY16	QoQ
Interest Earned	6,909	6,768	2%	6,641	4%
Interest Expensed	3,396	3,623	-6%	3,474	-2%
Interest Income	3,513	3,145	12%	3,167	11%
Fee Income	663	574	16%	644	3%
Capital Gain & Div. Income	977	782	25%	(226)	n.m
Non-Interest Income	1,996	1,681	19%	1,156	73%
Total Revenue	5,509	4,827	14%	4,323	27%
Operating Expenses	2,847	2,641	8%	3,188	-11%
Pre-Provisioning Profits	2,662	2,186	22%	1,135	1.34x
NPL (Rev.) / Prov.	(277)	91	n.m.	276	n.m
Pre-Tax Profits	2,930	2,088	40%	850	2.44x
Taxation	1,063	730	46%	306	2.47x
Profit After Tax	1,868	1,357	38%	544	2.43x

EPS (PKR)	1.56	1.13	0.45
DPS (PKR)	-	-	-
BVPS (PKR)	30.74	25.48	29.18

KEY RATIOS

Cost-To-Income Ratio	52%	55%	74%
Effective Tax Rate	36%	35%	36%
Non-II / Total Income	36%	35%	27%

SOURCE: IGI Research, Company accounts, PSX notifications

Recommendation

With our Dec-17 based target price of PKR 25/share, the scrip offers +~25% upside from its last closing. The scrip is likely to come under investor limelight owing to impressive earnings display. We recommend "BUY" call on FABL.

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