

Flash Note

Friday, 27 January 2017



Securities

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Commercial Banks

FABL: Weak interest income limited earning accretion; EPS 3.3/share, & 10% bonus share

- For CY16, FABL earnings showed a mere +2%YoY growth, to PKR 4.3bn or PKR 3.26/share compared to PKR 4.2bn or PKR 3.2/share in CY15.
- The company issued a 10% bonus shares along with the result.
- On a quarterly basis, earnings drop by a massive 41% to PKR 0.6bn or PKR 0.42/share, led by declining non-interest income (capital loss) and higher provision charge of PKR 287mn.
- On annual basis, major drag came from 14%YoY decline in interest income, whereby non-interest income printed a hefty growth of +22% along with lower provisioning charge of PKR 0.6bn compared to PKR 1.4bn reported last year.
- Bank's operating expense inched up by +3% to PKR 11.6bn compared to 11.2bn last year. However, lower revenue pushed bank's cost-to-income ratio to 62% compared to last year 57%.

Exhibit:

FABL Result Highlights

PKRmn (Period end=Dec)	CY16	CY15	YoY	4QCY16	QoQ
INTEREST EARNED	26,201	32,313	-19%	6,641	6%
INTEREST EXPENSED	14,134	18,358	-23%	3,474	1%
INTEREST INCOME	12,066	13,955	-14%	3,167	12%
FEE INCOME	2,529	2,303	10%	644	19%
CAPITAL GAIN & DIV. INCOME	2,380	2,030	17%	(226)	n.m.
NON-INTEREST INCOME	6,768	5,564	22%	1,156	-11%
TOTAL REVENUE	18,834	19,519	-4%	4,323	5%
OPERATING EXPENSES	11,590	11,198	3%	3,166	11%
NPL (REV.) / PROV.	569	1,400	-59%	287	-284%
PRE-TAX PROFITS	6,654	6,920	-4%	855	-40%
TAXATION	2,357	2,698	-13%	306	-39%
PROFIT AFTER TAX	4,297	4,222	2%	549	-41%

EPS (PKR)	3.26	3.20	0.42
DPS (PKR)	-	1.00	1.00
BVPS (PKR)	25.5	23.0	25.5

KEY RATIOS

COST-TO-INCOME RATIO	62%	57%	73%
EFFECTIVE TAX RATE	35%	39%	36%
NII / TOTAL INCOME	36%	29%	27%

Source: IGI Research, Company Financials

No. of shares 1,319.7

Recommendation

We maintain our "HOLD" call on the scrip with our Dec-17 TP of PKR 29/share, offering minimum upside of +9% from last closing. FABL is currently trading at CY17E P/E of 8.8x and P/B of 1.0x, with an estimated ROE of ~11%.

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