

PAKISTAN

October 28, 2021

Earnings Review

FABL: 3QCY21 EPS clocked in at Rs1.41

Event

- Faysal Bank Limited (FABL PA) announced its 3QCY21 result with consolidated earnings of Rs2.14bn (EPS Rs1.41/sh), up by 24/9% YoY/QoQ. This takes cumulative earnings during 9MCY21 to Rs4.09/sh (↑12% YoY).
- The result is in line with our estimates.

Impact

- The bank posted a PAT of Rs2.14bn in 3QCY21 (down by 24/9% YoY/QoQ). On YoY basis, increase in profitability was a result of higher Net Interest Income (NII) and lower provision expense. However, QoQ basis, increase in profitability was supported by higher NII, better non-markup income and lower provision expense.
- During 3QCY21, interest income/expense increased by 12/4% YoY whereas growth on QoQ clocked in at 11/13%. This has translated into a 21% YoY increase in NII clocking in at Rs7.01bn for 3QCY21. Similarly, on sequential basis, NII increased by 8% QoQ.
- Non-markup income (excl. profit from associates) clocked in at Rs2.3bn (down/up by 5/7% over YoY/QoQ). On YoY basis, decline in non-markup income was mainly driven by lower capital gains (↓88% YoY) overshadowing the decent increase in fee income (↑45% YoY). On sequential basis, the increase of 7% QoQ in non-markup income was accredited to recovery in FX income and fee income with a respective increase of 15/2% QoQ.
- Operating expense remained upbeat as it registered a growth of 15/11% YoY/QoQ to clock in at Rs5.52bn. Subsequently cost/income increased by 1/2ppt YoY/QoQ to stand at 60% for 3QCY21.
- The bank reported a provisioning expense of Rs227mn (↓63/56% YoY/QoQ). This cumulated provisioning for 9MCY21 at Rs216mn vs. Rs2.08bn, down by 90% YoY.

Outlook

- Going forward, we expect NII to recover due to recovery in banking spreads in the medium term. Whereas recovery in economic activity may keep the provisioning expense on the lower side.
- We have an 'Outperform' rating on the stock with the Jun-22 TP of Rs36/sh.

Analyst

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Table 01: Earnings Review FABL 3QCY21

	3QCY21	3QCY20	YoY	2QCY21	QoQ	9MCY21	9MCY20	YoY
Interest Earned	13,801	12,343	12%	12,468	11%	38,298	44,300	-14%
Interest Expensed	6,794	6,535	4%	5,993	13%	19,368	25,274	-23%
Net Interest Income (NII)	7,007	5,808	21%	6,475	8%	18,930	19,026	-1%
Fee Income	1,469	1,014	45%	1,439	2%	4,123	2,728	51%
Dividend Income	103	44	133%	105	-2%	291	284	2%
Foreign Exchange Income	590	631	-6%	514	15%	1,616	1,559	4%
Gain on Securities	82	689	-88%	48	72%	480	1,332	-64%
Other Income	56	38	48%	45	24%	166	511	-67%
Total Non-Markup Income	2,299	2,416	-5%	2,150	7%	6,675	6,414	4%
Share of Profit from Associates	16	-	0%	16	4%	84	-	-
Total Income	9,323	8,224	13%	8,641	8%	25,689	25,440	1%
Non-Markup Expense	5,596	4,834	16%	5,022	11%	15,336	14,269	7%
Operating Expense	5,520	4,788	15%	4,960	11%	15,122	13,967	8%
WWF	75	48	56%	58	30%	209	196	6%
Other Charges	1	(2)	-174%	4	-68%	5	106	-95%
Profit Before Provisions	3,726	3,390	10%	3,619	3%	10,353	11,171	-7%
Provisions	227	617	-63%	521	-56%	216	2,082	-90%
Profit Before Taxation	3,499	2,773	26%	3,098	13%	10,137	9,089	12%
Taxation	1,361	1,044	30%	1,145	19%	3,931	3,566	10%
Profit After Taxation	2,138	1,729	24%	1,953	9%	6,206	5,523	12%
PAT Attributable to Shareholders	2,138	1,729	24%	1,953	9%	6,206	5,523	12%
EPS	1.41	1.14		1.29		4.09	3.64	
DPS	-	-		0.50		0.50	-	
Cost/Income	60%	59%		58%		60%	56%	
ETR	39%	38%		37%		39%	39%	

Source: Company Accounts, Foundation Research, October 2021

Important disclosures:

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.