

Foundation Alert

FABL: Conference Call Key Takeaways

Event

- Faysal Bank (FABL PA) held its conference call today to discuss CY21 results and outlook of the bank. Following are the key takeaways of the briefing.

Impact

- The bank posted PAT of Rs8.35bn (EPS: 5.5) in CY21 (up by 25% YoY). The result was accompanied with a DPS of Rs1.0 taking cumulative DPS for CY21 to Rs1.50/sh.
- The increase in PAT was driven by both (1) net interest income, ↑5% YoY due to its low cost of deposits and (2) Non markup interest (↑7% YoY) on the back of better fee income given improve trade volumes.
- The profitability was also sustained due to lower provisioning i.e. Rs45mn during CY21 as compared to Rs2.2bn in CY20. Last year bank booked hefty COVID related provisioning and furthermore prudent lending restricted NPLs.
- Infection ratio for the bank came in at 5.6%, as compared to 7.7% in CY20, accompanied by strong coverage of 84% this year, improving by 180bps.
- Management was able to keep Cost to income range bound, which came in at 60% for CY21.
- ROE for CY21 clocked in at 14.9%, as compared to 13.6% in CY20. Management aims to improve ROE to 18-20%.
- Bank also increased branch network by 30 new branches and converted 65 branches to Islamic, taking total to 606 branches.
- Banks deposits clocked in at Rs644bn, ↑19% YoY. The increase in deposits was mainly from current account and saving account which improved CA/SA to 33/42% (CASA 75%).
- Management further disclosed the 67% of the total deposits are Islamic whereas remaining 33% still remain on conventional banking.
- Bank's investment book clocked in at Rs357mn, translating to IDR of 55% which was majorly from the corporate segment.
- Management further disclosed their efforts into conversion of investment book has been fast paced to 53% Islamic, as compared to 21% SPLY.
- The advances book came in Rs396bn, translating into IDR of 61.5%. 88.7% of the advances book is composed of Islamic.
- CAR for the bank came in at 17.5% (↓120bps).

Outlook

- FABL profitability outlook remains strong as Islamic conversion and increasing ADR would come into play in CY22. We have outperform stance on the stock with Dec-22 target price of Rs36.0.

Table 01: Earnings Review FABL 4QCY21

	4QCY21	4QCY20	YoY	3QCY21	QoQ	CY21	CY20	YoY
Interest Earned	15,574	11,626	34%	13,801	13%	53,872	55,926	-4%
Interest Expensed	8,665	6,104	42%	6,794	28%	28,033	31,378	-11%
Net Interest Income (NII)	6,909	5,521	25%	7,007	-1%	25,839	24,548	5%
Fee Income	1,461	1,357	8%	1,469	-1%	5,583	4,085	37%
Dividend Income	145	(2)	-7488%	103	41%	435	282	54%
Foreign Exchange Income	763	534	43%	590	29%	2,379	2,093	14%
Gain on Securities	(189)	382	-150%	82	-332%	291	1,714	-83%
Other Income	61	(334)	-118%	56	8%	227	177	28%
Total Non Markup Income	2,241	1,938	16%	2,299	-3%	8,916	8,352	7%
Share of Profit from Associates	(25)	156	-116%	16	-256%	58	156	-63%
Total Income	9,124	7,616	20%	9,323	-2%	34,814	33,056	5%
Non-Markup Expense	5,740	5,641	2%	5,596	3%	21,076	19,911	6%
Operating Expense	5,673	5,602	1%	5,520	3%	20,795	19,570	6%
WWF	65	31	109%	75	-13%	274	227	21%
Other Charges	2	8	-72%	1	67%	8	114	-93%
Profit Before Provisions	3,384	1,974	71%	3,726	-9%	13,737	13,145	5%
Provisions	(171)	173	-199%	227	-175%	45	2,254	-98%
Profit Before Taxation	3,555	1,802	97%	3,499	2%	13,692	10,891	26%
Taxation	1,408	644	119%	1,361	3%	5,339	4,210	27%
Profit After Taxation	2,147	1,158	85%	2,138	0%	8,353	6,681	25%
PAT Attributable to Shareholders	2,147	1,158	85%	2,138	0%	8,353	6,681	25%
EPS	1.41	0.76		1.41		5.50	4.40	
DPS	1.00	-		-		1.50	-	
Cost/Income	0.63	0.74	(0.11)	0.60	0.03	0.61	0.60	
Effective tax rate	40%	36%		39%		39%	39%	

Source: Company Accounts, Foundation Research, Mar 2022

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Recommendations definitions

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