

Earnings Review

FABL: 4QCY22 EPS clocked in at Rs2.38, DPS Rs1.0

Event

- Faysal Bank Limited (FABL PA) announced its 4QCY22 result with consolidated earnings of Rs2.38/sh, up by 69/5% YoY/QoQ. This cumulates into CY22 profitability of Rs7.54/sh, up by 37% YoY.
- Besides, Bank has also announced final cash payout of Rs1.0/sh against our expectation of no payout, taking CY22 payout to Rs7.0/sh.
- Result is in line with our expectation.

Impact

- The bank posted a PAT of Rs3.6bn in 4QCY22, up by 69/5% YoY/QoQ. The increase was mainly because of higher Net Interest Income (NII) (↑89/22% YoY/QoQ) and higher fee income (↑43/28% YoY).
- During 4QCY22, interest income increased by 118/14% YoY/QoQ. On the other hand, interest expense registered an increase of 141/10% YoY/QoQ. This has translated into NII for the quarter clocking in at Rs13.1bn (↑89/22% YoY/QoQ).
- Non-Markup income came in at Rs2.4bn (↑9/4% YoY/QoQ). Non Markup Income was mainly lifted by increase of 43/28% YoY/QoQ in Fee income. However the increase was restricted by decrease in foreign exchange gains of 26/46% YoY/QoQ and loss on securities recorded at Rs345mn as compared to loss of Rs189mn in the same period last year.
- Operating expense clocked in at Rs8.2bn translating into an increase of 45/20% YoY/QoQ. This translated to cost/income decreasing by 9.1ppt YoY to stand at 54%.
- The bank reported a net provisioning reversal of Rs204mn this quarter compared to net provisioning reversal of Rs171mn in 4QCY21.
- Taxation expense increased by 2.7x/22% YoY/QoQ in 4QCY22 to Rs3.8bn with effective tax rate at 51% given imposition of super tax at a rate of 10% for tax year 2023 and increase in corporate tax to 39%.

Outlook

- FABL profitability outlook remains strong as Islamic conversion and increasing ADR would come into play going forward. Thus, we have an outperform stance on the stock with Dec-23 TP of Rs30.

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Table 01: Earnings Review FABL 4QCY22

	4QCY22	4QCY21	YoY	3QCY22	QoQ	CY22	CY21	YoY
Interest Earned	33,946	15,574	118%	29,766	14%	104,528	53,872	94%
Interest Expensed	20,887	8,665	141%	19,067	10%	64,537	28,033	130%
Net Interest Income (NII)	13,060	6,909	89%	10,699	22%	39,991	25,839	55%
Fee Income	2,084	1,461	43%	1,632	28%	7,240	5,583	30%
Dividend Income	145	145	0%	19	647%	513	435	18%
Foreign Exchange Income	562	763	-26%	1,048	-46%	3,040	2,379	28%
Gain on Securities	(345)	(189)	83%	(389)	-11%	(1,487)	291	na
Other Income	(0)	61	na	51	-101%	226	227	0%
Total Non-Markup Income	2,446	2,241	9%	2,363	4%	9,532	8,916	7%
Share of Profit from Associates	69	(25)	-369%	148	-54%	90	58	54%
Total Income	15,574	9,124	71%	13,209	18%	49,613	34,814	43%
Operating Expense	8,208	5,673	45%	6,828	20%	27,366	20,795	32%
WWF	149	65	129%	133	12%	461	274	69%
Other Charges	20	2	805%	13	58%	37	8	387%
Non-Markup Expense	8,377	5,740	46%	6,974	20%	27,864	21,076	32%
Profit Before Provisions	7,197	3,384	113%	6,235	15%	21,749	13,737	58%
Provisions	(204)	(171)	20%	(330)	-38%	(940)	45	na
Profit Before Taxation	7,401	3,555	108%	6,565	13%	22,689	13,692	66%
Taxation	3,783	1,408	169%	3,103	22%	11,251	5,339	111%
Profit After Taxation	3,618	2,147	69%	3,462	5%	11,438	8,353	37%
PAT Attributable to Shareholders	3,618	2,147	69%	3,462	5%	11,438	8,353	37%
EPS	2.38	1.41		2.28		7.54	5.50	
DPS	1.00	1.00		5.50		7.00	1.50	
Cost/Income	54%	63%		0.53		56%	61%	
Effective tax rate	51%	40%		47%		50%	39%	

Source: Company Accounts, Foundation Research, February 2023

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