

## Earnings Review

### FABL: 1QCY23 EPS clocked in at Rs2.18, up 50%

#### Event

- Faysal Bank Limited (FABL PA) announced its 1QCY23 result with consolidated earnings of Rs2.18/sh, up/down by 50/9% YoY/QoQ.
- The result is below our expectation given higher than expected provision expense.

#### Impact

- The bank posted a PAT of Rs3.3bn in 1QCY23, up by 50% YoY. The increase was mainly because of higher Net Interest Income (NII) (↑82% YoY) and higher fee income (↑19% YoY). However, on sequential basis bank's profit decreased by 9% given stagnant Net Interest Income and higher provision expense.
- During 1QCY23, interest income increased by 101/3% YoY/QoQ. On the other hand, interest expense registered an increase of 115/4% YoY/QoQ. This has translated into NII for the quarter clocking in at Rs13.0bn (↑/↓ 82/0% YoY/QoQ).
- Non-Markup income came in at Rs2.7bn (↑19/11% YoY/QoQ). Non Markup Income was mainly lifted by increase of 31/3% YoY/QoQ in Fee income and 136/139% increase in Foreign exchange income. However the increase was restricted by higher loss on securities, recorded at Rs888mn as compared to loss of Rs113mn in the same period last year.
- Operating expense clocked in at Rs8.0bn translating into an increase of 33% YoY while decrease by 4% on sequential basis. This translated to cost/income decreasing by 12.4/2.9ppt YoY/QoQ to stand at 51%.
- The bank reported a net provisioning expense of Rs1.3bn this quarter primarily due to impairment of equity securities compared to net provisioning reversal of Rs147mn in 1QCY22.
- Taxation expense increased by 2.2x YoY in 1QCY23 to Rs3.3bn with effective tax rate at 48% given imposition of super tax and increase in corporate tax to 39%. However, on sequential basis tax expense fell by 19% due to lower quantum of super tax.

#### 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 1: Earnings Review FABL 1QCY23

	1QCY23	1QCY22	YoY	4QCY22	QoQ
Interest Earned	34,839	17,303	101%	33,946	3%
Interest Expensed	21,797	10,120	115%	20,887	4%
<b>Net Interest Income (NII)</b>	<b>13,041</b>	<b>7,183</b>	<b>82%</b>	<b>13,060</b>	<b>0%</b>
Fee Income	2,140	1,638	31%	2,084	3%
Dividend Income	61	119	-49%	145	-58%
Foreign Exchange Income	1,346	569	136%	562	139%
Gain on Securities	(888)	(113)	684%	(345)	157%
Other Income	65	78	-17%	(0)	na
<b>Total Non-Markup Income</b>	<b>2,723</b>	<b>2,292</b>	<b>19%</b>	<b>2,446</b>	<b>11%</b>
<b>Share of Profit from Associates</b>	<b>13</b>	<b>(1)</b>	<b>na</b>	<b>69</b>	<b>-81%</b>
<b>Total Income</b>	<b>15,778</b>	<b>9,474</b>	<b>67%</b>	<b>15,574</b>	<b>1%</b>
<b>Non-Markup Expense</b>	<b>8,032</b>	<b>5,999</b>	<b>34%</b>	<b>8,377</b>	<b>-4%</b>
Operating Expense	7,874	5,923	33%	8,208	-4%
WWF	158	74	114%	149	6%
Other Charges	0	2	-87%	20	-98%
<b>Profit Before Provisions</b>	<b>7,746</b>	<b>3,475</b>	<b>123%</b>	<b>7,197</b>	<b>8%</b>
Provisions	1,365	(147)	na	(204)	na
<b>Profit Before Taxation</b>	<b>6,381</b>	<b>3,621</b>	<b>76%</b>	<b>7,401</b>	<b>-14%</b>
Taxation	3,062	1,412	117%	3,783	-19%
<b>Profit After Taxation</b>	<b>3,319</b>	<b>2,210</b>	<b>50%</b>	<b>3,618</b>	<b>-8%</b>
<b>PAT Attributable to Shareholders</b>	<b>3,307</b>	<b>2,210</b>	<b>50%</b>	<b>3,618</b>	<b>-9%</b>
<b>EPS</b>	<b>2.18</b>	<b>1.46</b>		<b>2.38</b>	
<b>DPS</b>	<b>-</b>	<b>-</b>		<b>1.00</b>	
<b>Cost/Income</b>	<b>51%</b>	<b>63%</b>		<b>54%</b>	
<b>Effective tax rate</b>	<b>48%</b>	<b>39%</b>		<b>51%</b>	

Source: Company Accounts, Foundation Research, April 2023

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