

FABL

1QCY23 Result Review: BUY Stance Maintained

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FABL has announced its 1QCY23 result where it posted a profit after tax of Rs3.21bn (EPS: Rs2.12) as compared to a profit after tax of Rs2.13bn (EPS: Rs1.41) in the same period last year, up by 50.5% YoY amid a surge in net interest and foreign exchange income.

The bank has posted a net interest income of Rs13.04bn against Rs7.18bn in SPLY, recording a growth of 81.6% YoY due to an increase in interest rate.

Non-interest income has increased by 17.6% YoY to Rs2.52bn as compared to Rs2.14bn during SPLY, mainly due to an increase in FX and fee and commission. However, a loss of Rs0.89bn was reported on securities.

The operating cost-to-income ratio has decreased to 50.1% as compared to 63.2% during SPLY. Lastly, the effective taxation has increased to 48.5% as compared to 39.1% in SPLY.

FABL is currently trading at CY23E PE of 2.82x. Furthermore, the scrip is trading at a CY23E P/B of 0.45x which offers a discount of 25% relative to its historical 3-year average of 0.61x. We suggest our investors to BUY the scrip with a justified P/B Dec-23 TP of Rs.29 which provides an upside potential of 26%. Furthermore, it also offers an attractive dividend yield of 22% which makes a total return of 48%.

Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Interest earned	34,837	17,302	101.3% ▲	104,521	53,869	94.0% ▲
Interest expensed	-21,797	-10,120	115.4% ▲	-64,533	-28,035	130.2% ▲
Net Interest Income	13,040	7,182	81.6% ▲	39,988	25,834	54.8% ▲
Fee and commission income	1,937	1,484	30.5% ▲	6,628	5,094	30.1% ▲
Dividend income	59	118	50.3% ▼	572	464	23.3% ▲
Foreign exchange income	1,346	574	134.6% ▲	2,848	2,379	19.7% ▲
(Loss) / gain on securities	-892	-120	643.6% ▼	-1,560	310	602.6% ▼
Other income	67	83	19.4% ▼	279	287	2.9% ▼
Non-Interest Income	2,516	2,139	17.6% ▲	8,959	8,509	5.3% ▲
Operating expenses	-7,796	-5,891	32.3% ▲	-26,995	-20,606	31.0% ▲
Workers' Welfare Fund	-158	-74	114.3% ▲	-461	-274	68.6% ▲
Other charges	0	-2	86.7% ▼	-37	-7	439.2% ▲
Profit Before Provisions	7,602	3,353	126.7% ▲	21,453	13,456	59.4% ▲
Provisions	-1,365	147	1030.9% ▼	940	-48	2073.5% ▲
Profit Before Taxation	6,238	3,500	78.2% ▲	22,393	13,409	67.0% ▲
Taxation	-3,026	-1,367	121.4% ▲	-11,160	-5,256	112.3% ▲
Profit After Taxation	3,211	2,133	50.5% ▲	11,233	8,153	37.8% ▲
Earnings Per Share	2.12	1.41	50.5% ▲	7.40	5.37	37.8% ▲
Dividend	0.00	0.00		7.00	1.50	
Bonus	0%	0%		0%	0%	
Operating Cost to Income	-50.1%	-63.2%	13.1% ▼	-55.2%	-60.0%	4.8% ▼
Effective Taxation	-48.5%	-39.1%	9.5% ▲	-49.8%	-39.2%	10.6% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	FABL
TP - Dec 23	29
LDPCP	22.99
Upside (%)	26
Free Float ('mn)	379
Market Cap. (Rs.'mn)	34,892

FABL vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	55,922	53,869	104,521	150,540	165,822	195,923	226,301
Mark-up / Return / Interest expensed	-31,388	-28,035	-64,533	-100,205	-109,003	-130,343	-149,894
Net Mark-up / Interest Income	24,534	25,834	39,988	50,335	56,820	65,579	76,407
Fee and commission income	3,861	5,094	6,628	7,749	9,141	10,782	12,719
Dividend income	378	464	572	236	244	253	261
Foreign exchange income	2,093	2,379	2,848	5,381	6,228	7,210	8,346
(Loss) / gain from derivatives	48	-25	192	211	221	232	244
(Loss) / gain on securities	1,697	310	-1,560	-3,569	1,488	1,738	2,029
Other income	153	287	279	266	271	275	280
Total non-markup / interest income	8,231	8,509	8,959	10,272	17,593	20,491	23,880
Non mark-up / interest expenses							
Operating expenses	-19,401	-20,606	-26,995	-30,372	-43,942	-50,826	-59,222
Workers' Welfare Fund	-225	-274	-461	-614	-620	-717	-835
Other charges	-114	-7	-37	-152	-167	-198	-228
Profit Before Provisions	13,025	13,456	21,453	29,469	29,683	34,330	40,002
Provisions / (reversal of provisions)	-2,254	-48	940	-5,461	-4,704	-5,541	-6,526
Extraordinary / unusual items	10,770	13,409	22,393	24,008	24,980	28,789	33,476
Profit before income tax							
Income tax expense	-4,260	-5,256	-11,160	-11,649	-11,241	-12,955	-15,064
Profit for the year	6,510	8,153	11,233	12,360	13,739	15,834	18,412
EPS	4.29	5.37	7.40	8.14	9.05	10.43	12.13

Source: ACPL Research, Company Financials

Horizontal Analysis

	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	-4.2%	-3.7%	94.0%	44.0%	10.2%	18.2%	15.5%
Mark-up / Return / Interest expensed	-15.8%	-10.7%	130.2%	55.3%	8.8%	19.6%	15.0%
Net Mark-up / Interest Income	16.2%	5.3%	54.8%	25.9%	12.9%	15.4%	16.5%
Total non-markup / interest income	-6.1%	31.9%	30.1%	16.9%	18.0%	18.0%	18.0%
Non mark-up / interest expenses	-10.8%	22.7%	23.3%	-58.8%	3.5%	3.5%	3.5%
Operating expenses	-392.9%	-81.7%	-602.6%	128.9%	-141.7%	16.8%	16.7%
Workers' Welfare Fund	-45.6%	87.5%	-2.9%	-4.5%	1.8%	1.8%	1.8%
Other charges	13.6%	3.4%	5.3%	14.7%	71.3%	16.5%	16.5%
Profit Before Provisions							
Provisions / (reversal of provisions)	13.7%	6.2%	31.0%	12.5%	44.7%	15.7%	16.5%
Profit before income tax	-3.2%	21.5%	68.6%	33.1%	0.9%	15.7%	16.5%
Income tax expense	250.6%	-93.9%	439.2%	306.7%	10.2%	18.2%	15.5%
Profit for the year	167.4%	-97.9%	-2073.5%	-680.9%	-13.9%	17.8%	17.8%
EPS	5.7%	24.5%	67.0%	7.2%	4.0%	15.2%	16.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	8.59	6.69	10.62	13.60	12.95	13.22	13.18
Interest Cost	%	5.12	3.64	6.77	9.32	8.73	8.99	8.90
Net Interest Margin	%	3.47	3.04	3.85	4.28	4.22	4.22	4.28
Operating Cost to Income	%	60.25	60.82	56.17	51.38	60.11	60.11	60.11
Return on Equity	%	10.83	12.39	16.03	16.07	16.26	17.03	17.90
Return on Assets	%	0.92	0.94	1.05	1.02	0.98	0.98	0.98
Balance Sheet Analysis		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Deposits Growth	%	18.10	19.14	21.35	16.11	16.11	16.11	16.11
CASA to Deposits	%	68.03	67.55	62.68	59.68	59.68	59.68	59.68
Advances to Deposits	%	58.85	61.53	58.12	70.43	70.49	70.55	70.60
Investments to Deposits	%	51.22	55.50	60.07	50.10	47.56	45.37	43.49
PIBs to Investments	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
T Bills to Investments	%	76.23	82.96	88.21	88.21	88.21	88.21	88.21
Gross Infection Ratio	%	7.72	5.62	4.58	4.58	4.58	4.58	4.58
Provisioning Coverage	%	78.74	83.50	85.52	85.52	87.02	88.52	90.02
Net Infection Ratio	%	1.75	0.97	0.69	0.64	0.57	0.51	0.44
Capital Adequacy Ratio	%	18.67	17.53	15.47	16.29	16.58	17.02	17.71
Leverage Ratio	%	5.96	5.46	4.50	4.14	3.91	3.69	3.51
Operational Analysis		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Market Share - Deposits	%	3.02	3.07	3.48	3.68	3.88	4.11	4.34
Market Share - Advances	%	4.00	4.11	3.98	4.70	4.97	5.25	5.55
Market Share - Investments	%	2.40	2.55	2.66	2.34	2.34	2.36	2.39
No. of Branches		576	606	700	809	934	1079	1246
Investment Ratios		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Dividend Per Share		0.00	1.50	7.00	5.00	5.50	6.50	7.50
Dividend Yield	%	0.00	6.52	30.45	21.75	23.92	28.27	32.62
Dividend Cover	x	0.00	3.58	1.06	1.63	1.65	1.61	1.62
Retention Ratio	%	100.00	72.08	5.42	38.75	38.75	38.75	38.75
Payout Ratio	%	0.00	27.92	94.58	61.25	61.25	61.25	61.25
No. of Shares	('m)	1518	1518	1518	1518	1518	1518	1518
Earnings Per Share		4.29	5.37	7.40	8.14	9.05	10.43	12.13
Book Value Per Share		39.60	43.37	46.18	50.69	55.66	61.24	67.79
Price to Earnings	x	5.36	4.28	3.11	2.82	2.54	2.20	1.90
Price to Book Value	x	0.58	0.53	0.50	0.45	0.41	0.38	0.34

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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