

## FABL

## CY22 Result Review: BUY Stance Maintained

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FABL has announced its CY22 result where it posted a profit after tax of Rs11.23bn (EPS: Rs7.40) as compared to a profit after tax of Rs8.15bn (EPS: Rs5.37) in the same period last year, up by 37.8% YoY amid a surge in net interest and foreign exchange income.

The bank has posted a net interest income of Rs39.99bn against Rs25.83bn in SPLY, recording a growth of 54.8% YoY due to an increase in interest rate.

Non-interest income has increased by 5.3% YoY to Rs8.96bn as compared to Rs8.51bn during SPLY, mainly due to an increase in FX and fee and commission. However, a loss of Rs1.56bn was reported on securities.

The operating cost-to-income ratio has decreased to 55.2% as compared to 60% during SPLY. Lastly, the bank has booked a reversal of Rs940mn.

FABL is currently trading at CY23E PE of 2.73x. Furthermore, the scrip is trading at a CY23E P/B of 0.48x which offers a discount of 22% 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 23% which makes a total return of 49%.

Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Interest earned	33,941	15,574	117.9% ▲	104,521	53,869	94.0% ▲
Interest expensed	-20,892	-8,661	141.2% ▲	-64,533	-28,035	130.2% ▲
<b>Net Interest Income</b>	<b>13,049</b>	<b>6,913</b>	<b>88.8% ▲</b>	<b>39,988</b>	<b>25,834</b>	<b>54.8% ▲</b>
Fee and commission income	1,922	1,350	42.4% ▲	6,628	5,094	30.1% ▲
Dividend income	155	118	31.7% ▲	572	464	23.3% ▲
Foreign exchange income	448	763	41.3% ▼	2,848	2,379	19.7% ▲
(Loss) / gain on securities	-343	-213	60.7% ▼	-1,560	310	602.6% ▼
Other income	81	61	33.6% ▲	279	287	2.9% ▼
<b>Non-Interest Income</b>	<b>2,329</b>	<b>2,094</b>	<b>11.2% ▲</b>	<b>8,959</b>	<b>8,509</b>	<b>5.3% ▲</b>
Operating expenses	-8,044	-5,628	42.9% ▲	-26,995	-20,606	31.0% ▲
Workers' Welfare Fund	-149	-65	129.0% ▲	-461	-274	68.6% ▲
Other charges	-20	-1	1266.4% ▲	-37	-7	439.2% ▲
Profit Before Provisions	7,165	3,313	116.3% ▲	21,453	13,456	59.4% ▲
Provisions	204	168	21.5% ▲	940	-48	2073.5% ▲
Profit Before Taxation	7,369	3,481	111.7% ▲	22,393	13,409	67.0% ▲
Taxation	-3,797	-1,397	171.8% ▲	-11,160	-5,256	112.3% ▲
<b>Profit After Taxation</b>	<b>3,572</b>	<b>2,084</b>	<b>71.4% ▲</b>	<b>11,233</b>	<b>8,153</b>	<b>37.8% ▲</b>
<b>Earnings Per Share</b>	<b>2.35</b>	<b>1.37</b>	<b>71.4% ▲</b>	<b>7.40</b>	<b>5.37</b>	<b>37.8% ▲</b>
<b>Dividend</b>	<b>1.00</b>	<b>1.00</b>		<b>7.00</b>	<b>1.50</b>	
<b>Bonus</b>	<b>0%</b>	<b>0%</b>		<b>0%</b>	<b>0%</b>	

Closing Date: March 22, 2023 to March 29, 2023

Operating Cost to Income	-52.3%	-62.5%	10.2% ▼	-55.2%	-60.0%	4.8% ▼
Effective Taxation	-51.5%	-40.1%	11.4% ▲	-49.8%	-39.2%	10.6% ▲

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	FABL
TP - Dec 23	29
LDPCP	23.01
Upside (%)	26
Free Float ('mn)	379
Market Cap. (Rs.'mn)	34,922

## 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	135,764	155,737	175,171	210,366
Mark-up / Return / Interest expensed	-31,388	-28,035	-64,533	-83,567	-97,892	-108,020	-133,625
<b>Net Mark-up / Interest Income</b>	<b>24,534</b>	<b>25,834</b>	<b>39,988</b>	<b>52,198</b>	<b>57,845</b>	<b>67,151</b>	<b>76,741</b>
Fee and commission income	3,861	5,094	6,628	7,291	8,020	8,822	9,705
Dividend income	378	464	572	594	617	640	665
Foreign exchange income	2,093	2,379	2,848	3,212	3,622	4,084	4,605
(Loss) / gain from derivatives	48	-25	192	211	221	232	244
(Loss) / gain on securities	1,697	310	-1,560	447	508	581	667
Other income	153	287	279	314	354	399	450
<b>Total non-markup / interest income</b>	<b>8,231</b>	<b>8,509</b>	<b>8,959</b>	<b>12,069</b>	<b>13,342</b>	<b>14,759</b>	<b>16,336</b>
<b>Non mark-up / interest expenses</b>							
Operating expenses	-19,401	-20,606	-26,995	-38,908	-41,806	-49,404	-56,140
Workers' Welfare Fund	-225	-274	-461	-533	-579	-640	-728
Other charges	-114	-7	-37	-153	-176	-198	-238
<b>Profit Before Provisions</b>	<b>13,025</b>	<b>13,456</b>	<b>21,453</b>	<b>24,672</b>	<b>28,627</b>	<b>31,668</b>	<b>35,972</b>
Provisions / (reversal of provisions)	-2,254	-48	940	817	-3,798	-4,611	-5,597
Extraordinary / unusual items	10,770	13,409	22,393	25,489	24,829	27,056	30,375
<b>Profit before income tax</b>							
Income tax expense	-4,260	-5,256	-11,160	-12,703	-11,173	-12,175	-13,669
<b>Profit for the year</b>	<b>6,510</b>	<b>8,153</b>	<b>11,233</b>	<b>12,786</b>	<b>13,656</b>	<b>14,881</b>	<b>16,706</b>
EPS	4.29	5.37	7.40	8.42	9.00	9.80	11.01

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%	29.9%	14.7%	12.5%	20.1%
Mark-up / Return / Interest expensed	-15.8%	-10.7%	130.2%	29.5%	17.1%	10.3%	23.7%
<b>Net Mark-up / Interest Income</b>	<b>16.2%</b>	<b>5.3%</b>	<b>54.8%</b>	<b>30.5%</b>	<b>10.8%</b>	<b>16.1%</b>	<b>14.3%</b>
<b>Total non-markup / interest income</b>	<b>-6.1%</b>	<b>31.9%</b>	<b>30.1%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
<b>Non mark-up / interest expenses</b>	<b>-10.8%</b>	<b>22.7%</b>	<b>23.3%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>3.8%</b>
Operating expenses	-392.9%	-81.7%	-602.6%	-128.7%	13.6%	14.3%	14.9%
Workers' Welfare Fund	-45.6%	87.5%	-2.9%	12.8%	12.8%	12.8%	12.8%
Other charges	13.6%	3.4%	5.3%	34.7%	10.5%	10.6%	10.7%
<b>Profit Before Provisions</b>							
Provisions / (reversal of provisions)	13.7%	6.2%	31.0%	44.1%	7.4%	18.2%	13.6%
<b>Profit before income tax</b>	<b>-3.2%</b>	<b>21.5%</b>	<b>68.6%</b>	<b>15.5%</b>	<b>8.6%</b>	<b>10.6%</b>	<b>13.6%</b>
Income tax expense	250.6%	-93.9%	439.2%	310.4%	14.7%	12.5%	20.1%
<b>Profit for the year</b>	<b>167.4%</b>	<b>-97.9%</b>	<b>-2073.5%</b>	<b>-13.1%</b>	<b>-564.9%</b>	<b>21.4%</b>	<b>21.4%</b>
EPS	5.7%	24.5%	67.0%	13.8%	-2.6%	9.0%	12.3%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	8.59	6.69	10.75	12.27	11.87	11.25	11.38
Interest Cost	%	5.12	3.64	7.84	7.65	7.53	6.97	7.24
Net Interest Margin	%	3.47	3.04	2.91	4.62	4.34	4.28	4.14
Operating Cost to Income	%	60.25	60.82	56.17	61.61	59.79	61.34	61.35
Return on Equity	%	10.83	12.39	16.69	17.48	17.14	17.13	17.57
Return on Assets	%	0.92	0.94	1.10	1.05	0.95	0.87	0.83
<b>Balance Sheet Analysis</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Deposits Growth	%	18.10	19.14	19.14	19.14	19.14	19.14	19.14
CASA to Deposits	%	68.03	67.55	67.55	67.55	67.55	67.55	67.55
Advances to Deposits	%	58.85	61.53	67.56	67.07	67.10	67.12	67.15
Investments to Deposits	%	51.22	55.50	54.28	51.40	48.99	46.96	45.26
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	82.96	82.96	82.96	82.96	82.96
Gross Infection Ratio	%	7.72	5.62	5.12	4.28	4.28	4.28	4.28
Provisioning Coverage	%	78.74	83.50	82.50	81.50	83.00	84.50	86.00
Net Infection Ratio	%	1.75	0.97	0.86	0.76	0.70	0.64	0.58
Capital Adequacy Ratio	%	18.67	17.53	17.67	17.99	18.03	18.22	18.63
Leverage Ratio	%	5.96	5.46	4.53	4.17	3.83	3.52	3.23
<b>Operational Analysis</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Market Share - Deposits	%	3.02	3.07	3.19	3.31	3.43	3.56	3.69
Market Share - Advances	%	3.41	3.56	3.70	3.84	3.98	4.13	4.28
Market Share - Investments	%	3.27	3.55	3.47	3.41	3.37	3.35	3.35
No. of Branches		576	606	638	671	706	742	781
<b>Investment Ratios</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Dividend Per Share		0.00	1.50	7.00	5.25	5.50	6.00	6.75
Dividend Yield	%	0.00	6.52	30.42	22.82	23.90	26.08	29.34
Dividend Cover	x	0.00	3.58	1.06	1.60	1.64	1.63	1.63
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	8.42	9.00	9.80	11.01
Book Value Per Share		39.60	43.37	44.34	48.19	52.49	57.25	62.65
Price to Earnings	x	5.36	4.28	3.11	2.73	2.56	2.35	2.09
Price to Book Value	x	0.58	0.53	0.52	0.48	0.44	0.40	0.37

Source: ACPL Research, Company Financials

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

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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