April 14, 2025

FABL: Corporate Briefing Takeaways

- Faysal Bank Limited (FABL) held its corporate briefing today to discuss CY24 financial results.
- Management expects a limited impact from the MDR requirement on Islamic banks particularly FABL as the bank already exceeds the mandated 75% of return earned. As shared in the AGM, the estimated impact is around Rs2bn (or 20 bps rise in cost of funds).
- Management termed matters related to the parent company (Ithmaar Holdings B.S.C) as immaterial to FABL at this stage.
- The bank expects deposit growth to be 6%–7% higher than industry average deposit growth during CY25.
- FABL's Advances-to-Deposits Ratio (ADR) stood at 60% in CY24, with plans to maintain this level through CY25.
- The bank's branch network expanded to 855 branches (up 22% YoY), with a target of reaching 1,000 branches over the next two years.
- The cost-to-income ratio (CIR) stood at 51% in CY24. Management expects this ratio to decline as the branch network expands.
- Management indicated that the bank is expected to maintain its current payout ratio, with the Capital Adequacy Ratio (CAR) currently around ~18%.
- Management also anticipates further cut in the policy rate during CY25.

Company	**Faysal Bank Limited**
Symbol	**FABL**

Earnings Snapshot - Quarterly			
(Rs mn)	**4QCY24**	**4QCY23**	**Δ%**
Interest earned	50,121	56,094	-11%
Interest expensed	29,545	34,184	-14%
Net interest income	20,576	21,910	-6%
Non-interest income	5,213	5,151	1%
Non-interest expense	15,200	12,775	19%
Provisions and write-off	(1,102)	(3,023)	-64%
Profit before taxation	11,690	17,309	-32%
Taxation	8,427	9,307	-9%
Profit after taxation	3,264	8,002	-59%
EPS (Rs)	2.2	5.3	-59%
Earnings Snapshot - Annual			
(Rs mn)	**CY24**	**CY23**	**Δ%**
Interest earned	225,052	189,448	19%
Interest expensed	144,669	118,395	22%
Net interest income	80,383	71,053	13%
Non-interest income	17,362	12,089	44%
Non-interest expense	49,802	40,807	22%
Provisions and write-off	(2,464)	914	NM
Profit before taxation	50,408	41,422	22%
Taxation	27,379	21,376	28%
Profit after taxation	23,028	20,046	15%
EPS (Rs)	15.2	13.2	15%

Source: *Company Accounts, Sherman Research*

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Risks to Valuation:

Risks to valuation includes: 1) Lower than expected credit off-take. 2) Unexpected higher deterioration in asset quality. 3) delay in expected decrease in interest rate.

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Price Methodology:

To arrive at our period end Target Price, Sherman Securities uses different valuation methods which include : 1) Discounted Cash flow method 2) Relative Valuation method and 3) Justified Price to Book Value method.

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Rating Interpretation	
Buy	≥ 16.5%
Sell	≤ -10.0%
Hold	Between -10.0% to 16.5%

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