

# Flash Note

Tuesday, 09 August 2016

## Commercial Banks

### AKBL: Dividend Disappointment to Weigh On Performance; Earnings growth down by mere 2%YoY to PKR 2.35/share in 1HCY16

- Askari Bank Limited (AKBL) reported its 1HCY16 earnings at PKR 2.96bn (EPS PKR 2.35) down by 2%YoY.
- The company didn't announce any dividend / bonus along with the result contrary to expectations.
- Bank's interest income showed declining trend down by 1%YoY.
- Biggest surprise came on fee income that almost doubled on QoQ basis to PKR 813mn from PKR 424mn reported in Mar-16. We believe this to be a one-off fee collection event. Moreover bank booked in capital gain worth PKR 1.2bn compared to PKR 832mn previous quarter.
- In addition bank booked in reversal against NPL amounting to PKR 523mn (PKR 418mn in Jun-16 alone) compared to provisioning charge of PKR 176mn last year same period.
- Bank's charged super tax to the tune of PKR 340mn, we estimate resulting in higher effective tax rate of 44% during the quarter.

#### Recommendation

We are in a process of revisiting our investment case on AKBL.

#### Exhibit: Financial Highlights

PKRmn (Period end=Dec)	1HCY16	1HCY15	YoY	2QCY15	QoQ
Interest Income	7,258	7,354	-1%	3,693	4%
Non-Interest Income	4,027	4,548	-11%	2,430	52%
Total Revenue	11,285	11,902	-5%	6,123	19%
Operating expenses	6,722	6,081	11%	3,449	5%
Pre-provisioning Operating Profits	4,563	5,821	-22%	2,674	42%
Provisioning Charge	(425)	487	na	(433)	na
Pre-Tax Profits	4,988	5,334	-6%	3,107	65%
Taxation	2,028	2,300	-12%	1,370	108%
Profit After Tax	2,960	3,034	-2%	1,737	42%
EPS	2.35	2.41		1.38	
DPS	-	1.00		-	
BVPS	25.6	20.2	27%	25.6	0%
<b>Key Ratios</b>					
Cost-to-income Ratio	60%	51%		56%	
Effective tax Rate	41%	43%		44%	
Non-interest Income / Total Income	36%	38%		40%	

Source: IGI Research, Company Financials

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### Analyst Certification

The analyst<sup>^</sup> hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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### Valuation Methodology

The analyst<sup>^</sup> has used following valuation methodology to arrive at the target price of the said security (ies):

- Justified Price to book

#### Time Horizon

- Dec-16

#### Risk

- Changes in State Bank of Pakistan Policy Rate

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