

# Flash Note

Wednesday, 19 April 2017

## Commercial Banks

### AKBL: Quarterly decline in operating expense along with continued reversals, help elevate quarterly earnings

- Askari Bank Limited (AKBL) reported unconsolidated earnings for the 1QCY17 of PKR 1.23bn (or PKR 0.98/share) up by +19%QoQ (or +1%YoY).
- During the quarter, bank interest income declined by 4%QoQ along with lower realization of capital gains (PKR 517mn in 1QCY17), that led to overall decline in banks total revenue (down by 5%QoQ to PKR 5.1bn).
- However, 8%QoQ decline in bank's operating expense along with reversals booked against non-performing loans (AKBL has booked reversals against non-performing loans for the consecutive 5 quarters), helped expands bank's bottom-line.

Exhibit:

#### AKBL Result Highlights

PKRmn (Period end=Dec)	1QCY17	1QCY16	YoY	4QCY16	QoQ
Interest Earned	8,664	8,404	3%	9,118	-5%
Interest Expensed	4,870	4,839	1%	5,152	-5%
Interest Income	3,794	3,565	6%	3,966	-4%
Fee Income	481	424	13%	478	1%
Capital Gain & Div. Income	535	874	-39%	604	-11%
Non-Interest Income	1,319	1,597	-17%	1,389	-5%
Total Revenue	5,113	5,162	-1%	5,355	-5%
Operating Expenses	3,576	3,273	9%	3,907	-8%
Pre-Provisioning Profits	1,538	1,889	-19%	1,449	6%
NPL (Rev.) / Prov.	(356)	8	n.m	(150)	n.m.
Pre-Tax Profits	1,893	1,882	1%	1,599	18%
Taxation	663	659	1%	565	17%
Profit After Tax	1,230	1,223	1%	1,033	19%

EPS (PKR)	0.98	0.97	0.82
DPS (PKR)	-	-	1.50
BVPS (PKR)	26.83	24.26	25.85

#### KEY RATIOS

Cost-To-Income Ratio	70%	63%	73%
Effective Tax Rate	35%	35%	35%
Non-II / Total Income	26%	31%	26%

SOURCE: IGI Research, Company accounts, PSX notifications

#### Recommendation

With a forward P/B of 0.7x and dividend yield of 7%, we recommend "BUY" on AKBL call with our Dec-17 target price of PKR 26/share, scrip offers +37% upside from its last closing of PKR 19/share. The scrip is cheapest in terms of CY17F P/E multiple of 5.3x, amongst our coverage banks.

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