

Flash Note

Tuesday, 14 February 2017

Commercial Banks

AKBL: Heavy provisioning reversals lifts bottom-line; CY16 earnings up 4% to PKR 4.1/share (down by ~16%QoQ to PKR 0.8/share)

- Askari Bank Limited (AKBL) reported earnings of PKR 5.2bn (EPS PKR 4.14), up by +4%YoY compared to CY15 earnings of PKR 5.0 (EPS PKR 4.00).
- The bank announced a cash dividend of PKR 1.50/share along with the result, compared to 2.25/share last year.
- On a quarterly basis, earnings plummeted by 16% to PKR 1.03bn (EPS PKR 0.82), led by low realization of capital gains during the 4QCY16 leading to non interest decline by 18%QoQ. Bank's fee income continue to trend-up registering +24%YoY in CY16 or +8%QoQ growth in 4QCY16, owing to concentrated efforts of management to introduce ADC (Alternative Delivery Channel) products and increasing consumer banking products.
- Banks interest earned remained flat at PKR 9.1bn, while interest expense declined by 3%QoQ, resultantly interest income inched up by +5%QoQ (+1%YoY).
- Bank's operating expense grew by 16%YoY during CY16 or +6%QoQ 4QCY16 owing to aggressive branch expansions.

Exhibit:

AKBL Result Highlights

PKRmn (Period end=Dec)	CY16	CY15	YoY	4QCY16	QoQ
Interest Earned	35,512	36,592	-3%	9,118	0%
Interest Expensed	20,496	21,690	-6%	5,151	-3%
Interest Income	15,016	14,902	1%	3,967	5%
Fee Income	2,156	1,732	24%	478	8%
Capital Gain & Div. Income	3,832	3,549	8%	604	-40%
Non-Interest Income	7,106	6,690	6%	1,389	-18%
Total Revenue	22,122	21,591	2%	5,356	-2%
Operating Expenses	14,304	12,281	16%	3,907	6%
Pre-Provisioning Profits	7,819	9,311	-16%	1,449	-20%
NPL (Rev.) / Prov.	(659)	879	n.m	(150)	79%
Pre-Tax Profits	8,477	8,432	1%	1,599	-15%
Taxation	3,256	3,388	-4%	565	-15%
Profit After Tax	5,221	5,043	4%	1,034	-16%
EPS (PKR)	4.14	4.00		0.82	
DPS (PKR)	1.50	2.25		1.50	
BVPS (PKR)	24.7	21.3		24.7	
KEY RATIOS					
Cost-To-Income Ratio	65%	57%		73%	
Effective Tax Rate	38%	40%		35%	
Nii / Total Income	32%	31%		26%	

Source: IGI Research, Company Financials

No. of shares 1,260.3

Recommendation

With a forward P/B of 1.1x and decent dividend yield of 6%, we recommend a "HOLD" call on AKBL.

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