

Flash Note

Thursday, 21 February 2019

Commercial Banks

Askari Bank Limited (AKBL)

Higher provisioning charge wipes out pre-provisioning growth of +14%; EPS down to PKR 3.52/share (down by 16%), DPS PKR 1.0/share

- Askari Bank Limited (AKBL) reported its 4QCY18 unconsolidated earnings at PKR 0.8bn (EPS: PKR 0.64), down by 23%YoY or 27%QoQ. This brings full year CY18 earnings to PKR 4.4bn (EPS PKR 3.52), down by +16%YoY. The bank announced cash dividend of PKR 1.0/share.
- For CY18, bank's net interest income increased by +15%YoY while non-interest income dropped by 10% on account of lower capital gains, limiting total revenue growth to +8% or PKR 24bn. Bank's operating expense showed a lower than peer growth of +5% during the year – major growth is seen in 4Q, which helped reduce bank's C/I by a nearly 2% to 66%. Subsequently AKBL's pre-provisioning income (PPOP) showed a healthy +14%YoY growth. However, higher provisioning charge of PKR 1.5bn (mainly on account of investment losses) versus a reversal of PKR 1.2bn led to a 19% and 16% respective decline in bank's pre and post-tax profitability.

Exhibit:

AKBL Result Highlights

PKRmn (Period end=Dec)	4QCY18A	4QCY17A	YoY	CY18A	CY17A	YoY	3QCY18A	QoQ
Interest Earned	12,678	9,305	36%	43,670	36,267	20%	11,871	7%
Interest Expensed	7,876	5,128	54%	25,060	20,072	25%	6,996	13%
NII	4,802	4,176	15%	18,610	16,195	15%	4,875	-2%
Fee Income	881	917	-4%	3,116	2,707	15%	764	15%
FX Income	371	261	42%	1,596	843	89%	281	32%
Capital Gain and Dividend Income	158	167	-5%	491	2,358	-79%	85	86%
NFI	1,348	1,289	5%	5,622	6,255	-10%	1,346	0%
Operating Expenses	4,535	3,692	23%	15,892	15,164	5%	3,565	27%
Pre-Provisioning Profits	1,614	1,773	-9%	8,340	7,287	14%	2,657	-39%
Provision (Rev.) / Charge	937	156	5.01x	1,461	(1,205)	n.m.	843	11%
Pre-Tax Profits	678	1,617	-58%	6,879	8,492	-19%	1,814	-63%
Extraordinary Item/Assoc.	-	-	-58%	-	-	n.m.	-	n.m.
Taxation	(130)	566	n.m.	2,448	3,224	-24%	712	n.m.
Profit After Tax	808	1,051	-23%	4,431	5,268	-16%	1,102	-27%
EPS (PKR)	0.64	0.83		3.52	4.18		0.87	
DPS (PKR)	1.00	-		1.00	1.00		-	
BVPS (PKR)	27.7	25.7					27.1	
NIMs (annualised)	3.2%	0.2%		2.4%	3.0%			
Cost-To-Income Ratio	74%	68%		66%	68%		57%	
Effective Tax Rate	-19%	35%		36%	38%		39%	
Non-II / Total Income	12%	13%		9%	38%		6%	

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1260.26

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