

# Flash Note

Wednesday, 23 October 2019

## Commercial Banks

### Askari Bank Limited (AKBL)

#### High CoF and opex restricted earnings growth; EPS up by +14%/y/y to PKR 1.0/share (9m 2019 EPS 3.48/share +21% y/y); DPS PKR NIL

- On unconsolidated basis, AKBL posted earnings of PKR 1.3bn (or PKR 1.00/share) up by +14% y/y for 3q 2019, taking its 9m cumulative earnings to PKR 4.4bn (or PKR 3.48/share) an increase of +21% y/y compared to last year. The bank did not announce any cash dividend with the result.
- Bank's net interest income printed a growth of +10% y/y to PKR 5.4bn during 3q compared to an increase of +17% y/y last quarter. Major disappointment came from higher than expected Cost-of-funding (CoF) which almost doubled to PKR 15.2bn (up by 2.2x) compared to interest earned showing a +73% y/y growth to PKR 20.5bn. Based on 9m comparison, bank's NII showed a +18% y/y growth.
- Under Non-Funded Income (NFI), bank's treasury income (FX, Dividend and Capital gains) cumulatively increased by +40% y/y to PKR 2.2bn (PKR 1.6bn in 9m 2018) while fee income is up by +17% y/y lifting overall NFI by +18% y/y compared to a decline of 14% y/y last year. Bank's admin cost continues to pile up with latest qtr result depicting a rising of +26% y/y – one of the sharpest increase during past 12qtrs - taking C/I ratio to 64%. On 9m basis, C/I ratio stand unchanged at ~63%. Nevertheless, as a result of high opex, bank's Pre-provisioning income declined by 5% y/y during the quarter and up by +18% y/y on 9m basis. Provisioning charge came at PKR 0.5bn; break up wise we wait for financial accounts.

Exhibit: Askari Bank Limited (AKBL) Financial highlights

Period end (Dec) - PKRbn	3Q'19	2Q'19	1Q'19	9m' 19	9m' 18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Income	5.4	5.1	5.7	16.2	13.8	18.6	4.8	4.9	4.7	4.2	16.2	4.2	4.2	4.0	3.8	15.0
NII Growth YoY	10%	9%	35%	18%	15%	15%	15%	17%	16%	11%	8%	5%	10%	9%	6%	1%
Fee Income	0.8	1.0	0.8	2.6	2.2	3.1	0.9	0.8	0.8	0.7	2.7	0.9	0.7	0.6	0.5	2.2
Non-Interest Income	1.6	2.0	1.4	5.0	4.3	5.6	1.3	1.3	1.7	1.2	6.1	1.3	1.5	2.2	1.3	7.1
NFI Growth YoY	22%	19%	12%	18%	-14%	-8%	5%	-9%	-22%	-6%	-14%	-7%	-13%	-11%	-17%	6%
Total Revenue	7.0	7.1	7.1	21.3	18.1	24.2	6.1	6.2	6.4	5.5	22.3	5.5	5.7	6.2	5.1	22.1
Non-II / Total Revenue	23%	28%	19%	24%	24%	23%	22%	22%	26%	23%	27%	24%	26%	35%	26%	32%
Total Revenue Growth YoY	13%	12%	30%	18%	6%	9%	13%	10%	3%	7%	1%	2%	3%	1%	-1%	2%
Admin	4.4	4.5	4.3	13.1	11.8	16.2	4.4	4.1	3.9	3.8	14.9	3.6	3.9	3.9	3.5	14.1
Operating Expenses	4.5	4.5	4.3	13.3	11.4	15.9	4.5	3.6	3.9	3.9	15.1	3.7	4.0	3.9	3.6	14.3
OPEX Growth YoY	26%	15%	12%	17%	-1%	5%	23%	-10%	0%	8%	6%	-5%	8%	14%	9%	16%
Cost-To-Income Ratio	64%	63%	61%	63%	63%	66%	74%	57%	61%	71%	68%	68%	70%	63%	70%	65%
PPOP	2.5	2.6	2.8	7.9	6.7	8.3	1.6	2.7	2.5	1.6	7.2	1.8	1.7	2.3	1.5	7.8
PPOP Growth YoY	-5%	7%	74%	18%	22%	16%	-9%	56%	8%	4%	-8%	22%	-6%	-15%	-19%	-16%
Provisioning Charge	0.5	0.6	(0.3)	0.7	0.5	1.5	0.9	0.8	0.2	(0.5)	(1.3)	0.2	(0.1)	(0.9)	(0.4)	(0.7)
EO/one-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	2.0	2.0	3.1	7.2	6.2	6.9	0.7	1.8	2.3	2.1	8.5	1.6	1.8	3.1	1.9	8.5
Taxation	0.8	0.8	1.3	2.8	2.6	2.4	(0.1)	0.7	1.1	0.7	3.2	0.6	0.7	1.3	0.7	3.3
Effective Tax Rate	38%	37%	42%	39%	42%	36%	-19%	39%	50%	35%	38%	35%	35%	43%	35%	38%
Profit After Tax	1.3	1.3	1.8	4.4	3.6	4.4	0.8	1.1	1.1	1.4	5.3	1.1	1.2	1.8	1.2	5.2
PAT Growth YoY	14%	13%	33%	21%	-14%	-16%	-23%	-7%	-36%	12%	1%	2%	-3%	3%	1%	4%
EPS	1.00	1.03	1.45	3.48	2.88	3.52	0.64	0.87	0.91	1.10	4.18	0.83	0.94	1.43	0.98	4.14
DPS	-	-	-	-	-	1.00	1.00	-	-	-	1.00	-	1.00	-	-	1.50
BVPS	28.3	27.3	27.3	28.3	26.7	26.6	26.6	27.1	26.7	26.1	25.7	25.7	26.4	26.6	25.7	25.8
Interest Earned	20.5	15.9	14.3	50.7	31.0	43.7	12.7	11.9	10.0	9.1	36.3	9.3	9.3	9.0	8.7	35.5
Interest Expense	15.2	10.8	8.5	34.5	17.2	25.1	7.9	7.0	5.3	4.9	20.1	5.1	5.1	4.9	4.9	20.5
Interest Earned growth	73%	60%	56%	64%	76%	20%	36%	27%	11%	5%	2%	2%	2%	1%	3%	-3%
Interest Expense growth	117%	105%	74%	101%	75%	25%	54%	36%	7%	1%	-2%	0%	-3%	-5%	1%	-6%

#### Analyst

Saad Khan

[Saad.khan@igi.com.pk](mailto:Saad.khan@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext: 810