

Flash Note

Thursday, 19 April 2018

Commercial Banks

AKBL: Profit rises by +31%QoQ owing to high provision reversals

- Askari Bank Limited (AKBL) reported unconsolidated earnings for the 1QCY18 of PKR 1.4bn (or PKR 1.10/share) up by +31%QoQ (up by +12%YoY).
- Total revenue remained flattish as +1%QoQ increase in net interest income due to faster fall in interest expense (probably due to deposit restructuring) was offset by 4%QoQ fall in non-interest income, with fee income as well as capital gains and dividend income both declining by 25%QoQ and 22%QoQ respectively.
- Operating expenses rose by +5%QoQ taking cost to income ratio to 71% as compared to 68% in the previous quarter.
- The primary reason for the significant rise in earnings was PKR 518mn provision reversal as compared to a charge of PKR 156mn in the last quarter. The reversal follows the trend set in previous quarters since Jun-16 apart from the charge in the last quarter.

Exhibit:

AKBL Result Highlights

PKRmn (Period end=Dec)	1QCY18	1QCY17	YoY	4QCY17	QoQ
Interest Earned	9,133	8,664	5%	9,305	-2%
Interest Expensed	4,904	4,870	1%	5,128	-4%
Net Interest Income	4,229	3,794	11%	4,176	1%
Fee Income	692	481	44%	917	-25%
Capital Gain & Div. Income	130	535	-76%	167	-22%
Non-Interest Income	1,237	1,319	-6%	1,289	-4%
Total Revenue	5,466	5,113	7%	5,465	0%
Operating Expenses	3,861	3,576	8%	3,692	5%
Pre-Provisioning Profits	1,605	1,538	4%	1,773	-9%
Provision (Rev.) / Charge	(518)	(356)	46%	156	n.m
Pre-Tax Profits	2,124	1,893	12%	1,617	31%
Taxation	743	663	12%	566	31%
Profit After Tax	1,380	1,230	12%	1,051	31%
EPS (PKR)	1.10	0.98		0.83	
DPS (PKR)	-	-		-	
BVPS (PKR) Est.	27.30	25.67		26.20	

KEY RATIOS

Cost-To-Income Ratio	71%	70%	68%
Effective Tax Rate	35%	35%	35%
Non-Il / Total Income	23%	26%	24%

SOURCE: IGI Research, Company accounts, PSX

No. of shares (mn): 1260.3

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