

Flash Note

Thursday, 22 August 2019

Commercial Banks

Askari Bank Limited (AKBL)

High CoF and provisioning charge limited earnings growth; EPS up by +13%/y to PKR 1.03/share; DPS PKR NIL

- On unconsolidated basis, AKBL posted earnings of PKR 1.3bn (or PKR 1.03/share) up by +13% y/y for 2q 2019, taking its 1h cumulative earnings to PKR 3.1bn (or PKR 2.5/share) an increase of +24% y/y compared to last year.
- Bank's net interest income printed a growth of +9% y/y to PKR 5.1bn during 2q compared to an increase of +35% y/y last quarter. Major disappointment came from higher than expected Cost-of-funding (CoF) which almost doubled to PKR 10.8bn compared to interest earned showing a +60% y/y growth to PKR 15.9bn, we expect this on back of higher borrowing. Based on 1h comparison, bank's NII showed a +22% y/y growth.
- Under Non-Funded Income (NFI), Fee and FX income cumulatively increased by +30% y/y to PKR 1.8bn (PKR 3.06bn in 1h), lifting overall NFI by +19% y/y to PKR 2.0bn. Bank's administration cost increased by +15% y/y taking C/I ratio to 63% and 62% in 1h compared to 66% last year same period. Nevertheless, bank's Pre-provisioning income increased by +7% y/y during the quarter and 1h basis showed a healthy +33% growth.

Exhibit: Askari Bank Limited (AKBL) Financial highlights

Period end (Dec) - PKRbn	2Q'19	1Q'19	2H'19	2H'18	2018	4Q'18	3Q'18	2Q'18	1Q'18	2017	4Q'17	3Q'17	2Q'17	1Q'17	2016
Interest Earned	15.9	14.3	30.2	19.1	43.7	12.7	11.9	10.0	9.1	36.3	9.3	9.3	9.0	8.7	35.5
Interest Expense	10.8	8.5	19.4	10.2	25.1	7.9	7.0	5.3	4.9	20.1	5.1	5.1	4.9	4.9	20.5
Interest Income	5.1	5.7	10.9	8.9	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	9%	35%	22%	14%	15%	15%	17%	16%	11%	8%	5%	10%	9%	6%	1%
Fee Income	1.0	0.8	1.8	1.5	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	2.0	1.4	3.4	2.9	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	19%	12%	16%	-16%	-8%	5%	-9%	-22%	-6%	-14%	-7%	-13%	-11%	-17%	6%
Total Revenue	7.1	7.1	14.2	11.9	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	28%	19%	24%	25%	23%	22%	22%	26%	23%	27%	24%	26%	35%	26%	32%
Total Revenue Growth YoY	12%	30%	20%	5%	9%	13%	10%	3%	7%	1%	2%	3%	1%	-1%	2%
Admin	4.5	4.3	8.8	7.7	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	4.3	8.8	7.8	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	15%	12%	13%	4%	5%	23%	-10%	0%	8%	6%	-5%	8%	14%	9%	16%
Cost-To-Income Ratio	63%	61%	62%	66%	66%	74%	57%	61%	71%	68%	68%	70%	63%	70%	65%
PPOP	2.6	2.8	5.4	4.1	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	7%	74%	33%	7%	16%	-9%	56%	8%	4%	-8%	22%	-6%	-15%	-19%	-16%
Provisioning Charge	0.6	(0.3)	0.2	(0.3)	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	3.1	5.2	4.4	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	1.3	2.1	1.9	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	37%	42%	40%	43%	36%	-19%	39%	50%	35%	38%	35%	35%	43%	35%	38%
Profit After Tax	1.3	1.8	3.1	2.5	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	13%	33%	24%	-17%	-16%	-23%	-7%	-36%	12%	1%	2%	-3%	3%	1%	4%

EPS	1.0	1.5	2.5	2.0	3.5	0.6	0.9	0.9	1.1	4.2	0.8	0.9	1.4	1.0	4.1
DPS	-	-	-	-	1.0	1.0	-	-	-	1.0	-	1.0	-	-	1.5
BVPS	28.4	27.3	28.4	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	15.9	14.3	30.2	19.1	43.7	12.7	11.9	10.0	9.1	36.3	9.3	9.3	9.0	8.7	35.5
Interest Expense	10.8	8.5	19.4	10.2	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	60%	56%	58%	8%	20%	36%	27%	11%	5%	2%	2%	2%	1%	3%	-3%
Interest Expense growth	105%	74%	90%	4%	25%	54%	36%	7%	1%	-2%	0%	-3%	-5%	1%	-6%

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