

Earnings Review

AKBL: 3QCY21 EPS clocked in at Rs2.13, down 17% YoY

Event

- Askari Bank limited (AKBL PA) announced its 3QCY21 result with consolidated earnings of Rs2.7bn (EPS: 2.13/sh), down/up by 17/98% YoY/QoQ. This takes cumulative earnings during 9MCY21 to Rs5.4/sh (↑49% YoY).

Impact

- The bank posted a PAT of Rs2.7bn in 3QCY21 (down/up by 17/98% YoY/QoQ). On YoY basis, the decline in profitability was mainly because of higher provisioning mounting up to Rs1.3bn (↑89% YoY) and 98% YoY decline in gain on securities.
- During 3QCY21, interest income/expense increased by 13/17% YoY, while it registered a growth of 15/22% QoQ. This resulted in NII clocking at Rs8.75bn for the quarter recording an increase of 8/7% YoY/QoQ.
- Non markup income declined by 28/2% YoY/QoQ, clocking in at Rs2.1bn. The decline was mostly because of decrease of 98% YoY in gain on securities. To highlight fee income increased by 9/8% YoY/QoQ.
- To highlight, Bank reported decline of 14% QoQ on foreign exchange income.
- Operating expense clocked in at Rs5.1bn, translating into an increase of 3/1% YoY/QoQ. Consequently, cost to income clocked in at 47% (↑/↓ 2/2ppt YoY/QoQ).
- Bank also booked provision expense of Rs1.2bn, increasing by 89% YoY. However, on subsequential basis, provision expense declined by 57%.

Outlook

- We have an 'Outperform' rating on the stock with the Jun-22 TP of Rs38/sh.
- Going forward, we expect NII to recover due to recovery in banking spreads in the medium term. Whereas recovery in economic activity and the delay in implementation of IFRS9 may keep the provisioning expense on the lower side.

Analyst

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Table 01: Earnings Review AKBL 3QCY21

	3QCY21	3QCY20	YoY	QoQ	9MCY21	9MCY20	YoY
Interest Earned	20,395	18,016	13%	15%	55,835	61,265	-9%
Interest Expensed	11,645	9,942	17%	22%	31,294	38,770	-12%
Net Interest Income (NII)	8,750	8,073	8%	7%	24,541	22,496	-7%
Fee Income	1,142	1,052	9%	8%	3,275	2,603	16%
Dividend Income	132	81	64%	24%	325.891	203	88%
Foreign Exchange Income	676	667	1%	-14%	2,115	1,851	-13%
Gain on Securities	24	997	-98%	-51%	814	2,389	205%
Other Income	86	83	4%	-23%	295.404	230.012	-49%
Total Non-Markup Income	2,060	2,880	-28%	-2%	6,825	7,276	22%
Total Income	10,810	10,953	-1%	5%	31,367	29,771	-1%
Operating Expense	5,088	4,921	3%	1%	16,039	14,904	6%
WWF	13	7	87%	-20%	32.92	33.442	11%
Other Charges	0	31	-99%	-70%	6.036	42.904	-46%
Non-Markup Expense	5,101	4,959	3%	1%	16,078	14,980	6%
Profit Before Provisions	5,708	5,995	-5%	9%	15,289	14,791	-6%
Provisions	1,281	676	89%	-57%	4,100	1,321	-106%
Profit Before Taxation	4,427	5,318	-17%	98%	11,189	13,470	53%
Taxation	1,740	2,075	-16%	97%	4,383	5,264	58%
Profit after Taxation	2,687	3,243	-17%	98%	6,806	8,206	49%
EPS	2.13	2.57			5.40	6.51	
Cost/Income	47%	45%			51%	50%	
ETR	39%	39%			39%	39%	

Source: Company Accounts, Foundation Research, October 2021

Important disclosures:

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.