

## Foundation Alert

### AKBL: Analyst Briefing Key Takeaways

#### Event

- Askari bank Limited (AKBL PA) held its conference call today to discuss its 9MCY21 results and future outlook of the bank. Following are the key takeaways of the briefing.

#### Impact

- To recall, the bank posted a PAT of Rs2.7bn (EPS: 2.13) in 3QCY21 (down/up by 17/98% YoY/QoQ) taking cumulative PAT for 9MCY21 to Rs6.8bn (EPS: 5.42).
- Bank reported NII of Rs8.75bn, increasing by 8/7% YoY/QoQ for 3QCY21. This was mainly driven by volumetric growth of deposit base.
- On the other hand, profitability during 9MCY21 was restricted because of Rs4.1bn provisioning expense which was mainly concentrated around a client in OMC sector. Furthermore management of the bank also shared that the bank has now completely provided for the distressed account.
- Bank's deposits crossed benchmark of Rs1tr increasing by 27% during 9MCY21. However, growth in deposit base was mainly driven by saving/current account which registered a growth of 25/14% during the period. This has translated into CA of 28.44% (↓332bps) and SA of 54.48% (↓82bps) cumulating into CASA of 82.92%.
- The management further discussed plans to expand and diversify in southern market including southern Punjab and Karachi, to further uplift deposit base and improve trade share.
- Bank's ADR clocked in at 47.7% (↓5.6ppt YTD). The management aims to improve its lending portfolio especially in Agri, SME and commercial sector. To highlight, banks infection stands at 6.8%, of with coverage of 94.2%.
- Capital Adequacy for the bank clocked in at 14.2% (↓130bps YTD), the decline was mainly because of high dividend payout and high provisioning which impacted profitability.
- The breakup for investment includes 40% of Tbills, 18.94% of PIBs, and 20% of PIB-floater. Around ~90% of investment in PIBs has a maturity of less than 3 years.
- Management also shared that the Phase 1 for TSA has already been implemented, and progress for Phase 2 is under way. Similarly, the implantation of IFRS 9, that is due in 1QCY22, has also been largely accounted and thus would not have any material impact.
- Management expects interest rate to rise by 50 to 75bps in upcoming MPS.

#### Outlook

- We have an 'Outperform' rating on the stock with the Jun-22 TP of Rs38/sh.

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	-19%
<b>Net Interest Income (NII)</b>	<b>8,750</b>	<b>8,073</b>	<b>8%</b>	<b>7%</b>	<b>24,541</b>	<b>22,496</b>	<b>9%</b>
Fee Income	1,142	1,052	9%	8%	3,275	2,603	26%
Dividend Income	132	81	64%	24%	325.891	203	61%
Foreign Exchange Income	676	667	1%	-14%	2,115	1,851	14%
Gain on Securities	24	997	-98%	-51%	814	2,389	-66%
Other Income	86	83	4%	-23%	295.404	230.012	28%
<b>Total Non-Markup Income</b>	<b>2,060</b>	<b>2,880</b>	<b>-28%</b>	<b>-2%</b>	<b>6,825</b>	<b>7,276</b>	<b>-6%</b>
<b>Total Income</b>	<b>10,810</b>	<b>10,953</b>	<b>-1%</b>	<b>5%</b>	<b>31,367</b>	<b>29,771</b>	<b>5%</b>
Operating Expense	5,088	4,921	3%	1%	16,039	14,904	8%
WWF	13	7	87%	-20%	32.92	33.442	-2%
Other Charges	0	31	-99%	-70%	6.036	42.904	-86%
<b>Non-Markup Expense</b>	<b>5,101</b>	<b>4,959</b>	<b>3%</b>	<b>1%</b>	<b>16,078</b>	<b>14,980</b>	<b>7%</b>
<b>Profit Before Provisions</b>	<b>5,708</b>	<b>5,995</b>	<b>-5%</b>	<b>9%</b>	<b>15,289</b>	<b>14,791</b>	<b>3%</b>
Provisions	1,281	676	89%	-57%	4,100	1,321	210%
<b>Profit Before Taxation</b>	<b>4,427</b>	<b>5,318</b>	<b>-17%</b>	<b>98%</b>	<b>11,189</b>	<b>13,470</b>	<b>-17%</b>
Taxation	1,740	2,075	-16%	97%	4,383	5,264	-17%
<b>Profit after Taxation</b>	<b>2,687</b>	<b>3,243</b>	<b>-17%</b>	<b>98%</b>	<b>6,806</b>	<b>8,206</b>	<b>-17%</b>
<b>EPS</b>	<b>2.13</b>	<b>2.57</b>			<b>5.42</b>	<b>6.51</b>	
<b>Cost/Income</b>	<b>47%</b>	<b>45%</b>			<b>51%</b>	<b>50%</b>	
<b>ETR</b>	<b>39%</b>	<b>39%</b>			<b>39%</b>	<b>39%</b>	

Source: Company Accounts, Foundation Research, November 2021

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