

## Earning Review

### AKBL: 4QCY21 EPS clocked in at Rs2.31, up 9% YoY

#### Event

- Askari Bank Limited (AKBL PA) announced its 4QCY21 result with consolidated earnings of Rs2.31/sh (up by 9/8% YoY/QoQ). This translates into CY21 earnings of Rs7.71/sh (down by 10% YoY).

#### Impact

- The bank posted a PAT of Rs2.9bn in 4QCY21 (up by 9/8% YoY/QoQ), mainly due to (1) higher non-funded income and (2) lower taxation for the quarter. This accumulated into profitability of Rs9.7bn, declining by 10% YoY, which was mainly due to higher provisioning during the year.
- Net interest income clocked in at Rs7.9bn showing marginal uptick of 1% YoY in 4QCY21, however on sequential basis, NII declined by 10% due to lag in asset repricing amid hike in interest rate during the quarter. However, on cumulative basis NII increased by 7% YoY in CY21.
- Non-funded income (NFI) increased by 4/32% YoY/QoQ in 4QCY21 mainly supported by Fee income (↑6/32% YoY/QoQ), and higher FX income (↑23/49% YoY/QoQ). However, on cumulative basis NFI declined by 3% YoY, due to lower gain on securities in CY21.
- Operating expense decreased by 7/2% YoY/QoQ to Rs5.0bn in 4QCY21. This translated into Cost/income of 49% (down/up by 3/2ppts YoY/QoQ).
- The bank recorded provision of Rs884mn in 4QCY21 as compared to Rs654mn in 4QCY20, increased /decreased by 35/31% YoY/QoQ. The cumulative provision expense for CY21 was Rs5.0bn (↑2.5x YoY) mainly on account of Hascol.
- Effective tax rate for 4QCY21 clocked in at 35% (↓4ppts YoY/QoQ).

#### Outlook

- AKBL strong deposit growth and intact profitability as assets reprice keeps the bank's profile attractive. We have an outperform stance on the stock as currently stock is trading at P/B of 0.46. Our Dec-22 target price is Rs35.

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Table 1: Earnings Review AKBL 4QCY21

	4QCY21	4QCY20	YoY	QoQ	CY21	CY20	YoY
Interest Earned	22,351	17,305	29%	10%	77,569	77,335	0%
Interest Expensed	14,462	9,519	52%	24%	45,140	47,059	-4%
<b>Net Interest Income (NII)</b>	<b>7,888</b>	<b>7,786</b>	<b>1%</b>	<b>-10%</b>	<b>32,430</b>	<b>30,276</b>	<b>7%</b>
Fee Income	1,511	1,430	6%	32%	4,785	3,991	20%
Dividend Income	96	71	36%	-27%	422	274	54%
Foreign Exchange Income	1,008	823	23%	49%	3,124	2,673	17%
Gain on Securities	0	168	-100%	-98%	815	2,555	-68%
Other Income	107	120	-11%	24%	402	349	15%
<b>Total Non Markup Income</b>	<b>2,722</b>	<b>2,611</b>	<b>4%</b>	<b>32%</b>	<b>9,548</b>	<b>9,843</b>	<b>-3%</b>
<b>Share of Profit from Associates</b>	-	-	-	-	-	-	-
<b>Total Income</b>	<b>10,611</b>	<b>10,397</b>	<b>2%</b>	<b>-2%</b>	<b>41,977</b>	<b>40,119</b>	<b>5%</b>
<b>Non-Markup Expense</b>	<b>5,244</b>	<b>5,361</b>	<b>-2%</b>	<b>3%</b>	<b>21,321</b>	<b>20,309</b>	<b>5%</b>
Operating Expense	4,979	5,347	-7%	-2%	21,017	20,218	4%
WWF	183	10	1821%	1713%	213	43	397%
Other Charges	82	5	1459%	2552%	90	48	87%
<b>Profit Before Provisions</b>	<b>5,367</b>	<b>5,036</b>	<b>7%</b>	<b>-6%</b>	<b>20,656</b>	<b>19,810</b>	<b>4%</b>
Provisions	884	654	35%	-31%	4,984	1,975	152%
<b>Profit Before Taxation</b>	<b>4,483</b>	<b>4,382</b>	<b>2%</b>	<b>1%</b>	<b>15,672</b>	<b>17,835</b>	<b>-12%</b>
Taxation	1,574	1,714	-8%	-10%	5,956	6,978	-15%
<b>Profit After Taxation</b>	<b>2,909</b>	<b>2,668</b>	<b>9%</b>	<b>8%</b>	<b>9,716</b>	<b>10,857</b>	<b>-11%</b>
<b>PAT Attributable to Shareholders</b>	<b>2,909</b>	<b>2,657</b>	<b>9%</b>	<b>8%</b>	<b>9,716</b>	<b>10,853</b>	<b>-10%</b>
<b>EPS</b>	<b>2.31</b>	<b>2.11</b>			<b>7.71</b>	<b>8.61</b>	
<b>DPS</b>	-	<b>3.00</b>			-	<b>3.00</b>	
Cost/Income	49%	52%			51%	51%	
Effective tax rate	35%	39%			38%	39%	

Source: Company Accounts, Foundation Research, February 2022

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