

Foundation Alert

AKBL: Analyst Briefing Key Takeaways

Event

- Askari Bank Limited (AKBL PA) held its conference call today to discuss CY21 results and outlook of the bank. Following are the key takeaways of the briefing.

Impact

- The bank posted PAT of Rs9.7bn (EPS: 7.7) in CY21, down by 10% YoY. The bank declared no dividend in CY21.
- The earning for the year declined due to higher provisioning of Rs5.0bn in CY21, as compared to Rs2.0bn in SPLY, mainly on account of exposure to a single entity i.e. Hascol.
- Management disclosed that all of the Hascol NPL has been accounted for.
- NII improved by 7% YoY, as interest expense declined by 4% YoY due to cost of deposits declined by 189bps YoY to 3.64%. However Interest earned remained stagnant on YoY basis.
- Banks deposits increased by 28% YoY, to clock in at Rs1.015tn by the end of CY21. Meanwhile CASA for the bank came in at 80%, depicting decline of 7ppt YoY.
- The increase in deposits was mainly from private sector as deposit mix of private sector improved by 4ppts to 25% of total deposits (increasing by 56% YoY). Whereas individuals/Government composition declined by 4/1% to 33/32% of total deposits.
- Advances for the bank increased by 20% YoY to Rs507.9bn in CY21, increasing ADR to 60.7%.
- Infection ratio improved to 6.14% in CY21, decreasing by 59bps YoY. Similarly coverage remained strong at 97% (↑3.9ppts YoY) for the year.
- Bank's investment book increased to Rs616.2bn, translating to IDR of 61% in CY21.
- Bank's investment book comprises of 39/53% Tbill/PIBs. Total PIB portfolio includes 46% floaters compared to 33% last year. Management is currently more focused on floater PIBs as global political uncertainty and domestic inflationary pressure persists.
- Average yield for PIBs was around 10% as of Dec'21, with maturity of 3-4yrs. On short term front, Rs5bn is due to mature. The average yield has improved to 10.7% given greater exposure in floaters.
- CAR for the bank came in at 13.41%, declining by 208bps YoY.
- On Treasury single account front, Bank closed 507 accounts transferring amount of Rs55mn. Bank awaits further clarity and direction on TSA Phase II.
- Management further brushed on holding dividends to create buffer for acquisitions and stimulate inorganic growth.
- Bank plans to open 40 new branches (15 Islamic) in CY22. On digital front, digital transaction increased by 56%, as management continues to operate at hybrid expansion.

Outlook

- We have Outperform stance on the stock with target price of Rs35.0/sh for Dec-22. Robust deposit growth and repositioning of investment book would improve profitability as coverage remains strong. The stock is currently trading at an attractive PB of 0.4.

Table 01: 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%
Net Interest Income (NII)	7,888	7,786	1%	-10%	32,430	30,276	7%
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%
Total Non-Markup Income	2,722	2,611	4%	32%	9,548	9,843	-3%
Share of Profit from Associates	-	-	-	-	-	-	-
Total Income	10,611	10,397	2%	-2%	41,977	40,119	5%
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%
Non-Markup Expense	5,244	5,361	-2%	3%	21,321	20,309	5%
Profit Before Provisions	5,367	5,036	7%	-6%	20,656	19,810	4%
Provisions	884	654	35%	-31%	4,984	1,975	152%
Profit Before Taxation	4,483	4,382	2%	1%	15,672	17,835	-12%
Taxation	1,574	1,714	-8%	-10%	5,956	6,978	-15%
Profit After Taxation	2,909	2,668	9%	8%	9,716	10,857	-11%
PAT Attributable to Shareholders	2,909	2,657	9%	8%	9,716	10,853	-10%
EPS	2.31	2.11			7.71	8.61	
DPS	-	3.00			-	3.00	
Cost/Income	49%	52%			51%	51%	
Effective tax rate	35%	39%			38%	39%	

Source: Company Accounts, Foundation Research, March 2022

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