

## Earning Review

### AKBL: 1QCY22 EPS at Rs2.86

#### Event

- Askari Bank Limited (AKBL PA) announced its 1QCY22 result with consolidated earnings of Rs3.6bn (EPS Rs2.86/sh), up by 30/24% YoY/QoQ.

#### Impact

- The bank posted a PAT of Rs3.6bn in 1QCY22, up by 30% YoY, mainly due to (1) higher Net interest income and (2) lower operating cost.
- Similarly on sequential basis, the profitability inclined by 24%, mainly due to (1) provisioning reversal, and (2) higher taxation charge.
- Net interest income (NII) increased by 11/7% YoY/QoQ. Bank's NII increased as policy rate increased by 250bps during the quarter supported by high IDR.
- Non funded income decreased by 4/6% YoY/QoQ mainly due to lower gain on securities (↓88% YoY), and sequential decline was followed by lower fee income (↓21% YoY).
- Operating expense decreased by 17/1% YoY/QoQ to Rs5.9bn in 1QCY22. This translated into Cost/income of 46% (down by 12/3ppts YoY/QoQ).
- The bank recorded provision reversal of Rs172mn in 1QCY22 compared to provision reversal of Rs170mn in 1QCY21 (↑1% YoY). Sequentially, provision expense of Rs884mn was recorded last quarter.
- Effective tax rate for 1QCY22 clocked in at 41% (↑3/6ppts YoY/QoQ).

#### 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.

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Table 1: Earnings Review AKBL 1QCY22 (Consolidated)

	1QCY22	1QCY21	YoY	4QCY21	QoQ
Interest Earned	26,749	17,067	57%	22,351	20%
Interest Expensed	18,291	9,452	94%	14,462	26%
<b>Net Interest Income (NII)</b>	<b>8,457</b>	<b>7,614</b>	<b>11%</b>	<b>7,888</b>	<b>7%</b>
Fee Income	1,196	1,076	11%	1,511	-21%
Dividend Income	105	87	21%	96	9%
Foreign Exchange Income	1,023	651	57%	1,008	1%
Gain on Securities	90	742	-88%	0	na
Other Income	136	98	39%	107	27%
<b>Total Non-Markup Income</b>	<b>2,551</b>	<b>2,654</b>	<b>-4%</b>	<b>2,722</b>	<b>-6%</b>
<b>Total Income</b>	<b>11,008</b>	<b>10,268</b>	<b>7%</b>	<b>10,611</b>	<b>4%</b>
Operating Expense	4,911	5,904	-17%	4,979	-1%
WWF	88	4	1963%	183	-52%
Other Charges	81	4	1819%	82	-1%
<b>Non-Markup Expense</b>	<b>5,079</b>	<b>5,913</b>	<b>-14%</b>	<b>5,244</b>	<b>-3%</b>
<b>Profit Before Provisions</b>	<b>5,929</b>	<b>4,355</b>	<b>36%</b>	<b>5,367</b>	<b>10%</b>
Provisions	(172)	(170)	1%	884	-119%
<b>Profit Before Taxation</b>	<b>6,101</b>	<b>4,526</b>	<b>35%</b>	<b>4,483</b>	<b>36%</b>
Taxation	2,492	1,756	42%	1,574	58%
<b>Profit After Taxation</b>	<b>3,608</b>	<b>2,769</b>	<b>30%</b>	<b>2,909</b>	<b>24%</b>
<b>EPS</b>	<b>2.86</b>	<b>2.20</b>		<b>2.31</b>	
DPS	-	-		-	
Cost/Income	46%	58%		49%	
Effective tax rate	41%	39%		35%	

Source: Company Accounts, Foundation Research, April 2022

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