

## Earning Review

### AKBL: 3QCY22 EPS at Rs3.53, up 65% YoY

#### Event

- Askari Bank Limited (AKBL PA) announced its 3QCY22 result with earnings of Rs4.4bn (EPS Rs3.53), up by 65/64% YoY/QoQ. This cumulates into 9MCY22 profitability of Rs10.8bn (EPS Rs8.5), up 58% YoY, against profitability of Rs6.8bn (EPS Rs5.4) in 9MCY21.

#### Impact

- The bank posted a PAT of Rs4.4bn in 3QCY22, up by 65% YoY, mainly due to (1) higher Net interest income, (2) higher Non Markup Income and (3) lower provisioning expense.
- Net interest income (NII) increased by 36/35% YoY/QoQ as interest income increased by 2.4x/38% YoY/QoQ.
- Non Markup income increased by 68% YoY mainly due to higher foreign exchange income (up 2.7x YoY), and increased fee income (up 12% YoY). On sequential basis, foreign exchange income is up 15% while fee income declined by 8%.
- Operating expense increased by 22/16% YoY/QoQ to Rs6.2bn in 3QCY22. This translated into Cost/income of 41% (down by 5.8/5.2ppts YoY/QoQ).
- The bank recorded provision expense of Rs71mn, down 94% YoY, against provisioning expense of Rs1.3bn in 3QCY21.
- Effective tax rate for 3QCY22 clocked in at 50% (up/down 11/5ppts YoY/QoQ) due to imposition of super tax of 10% on tax year 2023 profitability and increase in income tax rate.

#### Outlook

- We have Outperform stance on the stock as robust deposit growth and repositioning of investment book would improve profitability while coverage remains strong. The stock is currently trading at an attractive PB of 0.33.

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Table 01: Earnings Review AKBL 3QCY22

	3QCY22	3QCY21	YoY	QoQ	9MCY22	9MCY21	YoY
Interest Earned	48,123	20,395	136%	38%	109,854	55,835	97%
Interest Expensed	36,264	11,645	211%	38%	80,744	31,294	158%
<b>Net Interest Income (NII)</b>	<b>11,859</b>	<b>8,750</b>	<b>36%</b>	<b>35%</b>	<b>29,110</b>	<b>24,541</b>	<b>19%</b>
Fee Income	1,274	1,142	12%	-8%	3,861	3,275	18%
Dividend Income	113	132	-15%	40%	298	326	-8%
Foreign Exchange Income	1,829	676	171%	15%	4,442	2,115	110%
Gain on Securities	168	24	606%	-325%	183	814	-77%
Other Income	86	86	0%	-6%	313	295	6%
<b>Total Non Markup Income</b>	<b>3,470</b>	<b>2,060</b>	<b>68%</b>	<b>13%</b>	<b>9,098</b>	<b>6,825</b>	<b>33%</b>
<b>Total Income</b>	<b>15,328</b>	<b>10,810</b>	<b>42%</b>	<b>29%</b>	<b>38,208</b>	<b>31,367</b>	<b>22%</b>
Operating Expense	6,231	5,088	22%	16%	16,496	16,039	3%
WWF	108	10	964%	1%	302	30	897%
Other Charges	13	3	333%	-82%	167	16	938%
<b>Non-Markup Expense</b>	<b>6,352</b>	<b>5,101</b>	<b>25%</b>	<b>15%</b>	<b>16,965</b>	<b>16,078</b>	<b>6%</b>
<b>Profit Before Provisions</b>	<b>8,976</b>	<b>5,708</b>	<b>57%</b>	<b>42%</b>	<b>21,243</b>	<b>15,289</b>	<b>39%</b>
Provisions	71	1,281	-94%	-75%	181	4,100	-96%
<b>Profit Before Taxation</b>	<b>8,906</b>	<b>4,427</b>	<b>101%</b>	<b>47%</b>	<b>21,062</b>	<b>11,189</b>	<b>88%</b>
Taxation	4,462	1,740	156%	33%	10,305	4,383	135%
<b>Profit After Taxation</b>	<b>4,444</b>	<b>2,687</b>	<b>65%</b>	<b>64%</b>	<b>10,757</b>	<b>6,806</b>	<b>58%</b>
<b>PAT Attributable to Shareholders</b>	<b>4,444</b>	<b>2,687</b>	<b>65%</b>	<b>64%</b>	<b>10,757</b>	<b>6,806</b>	<b>58%</b>
<b>EPS</b>	<b>3.53</b>	<b>2.13</b>			<b>8.54</b>	<b>5.40</b>	
DPS	-	-			-	-	
Cost/Income	41%	47%			44%	51%	
Effective tax rate	50%	39%			49%	39%	

Source: PSX, Foundation Research, October 2022

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