

## Earning Review

### AKBL: 4QCY22 EPS at Rs2.63, Bonus 15%

#### Event

- Askari Bank Limited (AKBL PA) announced its 4QCY22 result with earnings of Rs3.3bn (EPS Rs2.6), up/down by 14/25% YoY/QoQ. This cumulates into CY22 profitability of Rs14.1bn (EPS Rs11.2), up 45% YoY, against profitability of Rs9.7bn (EPS Rs7.7) in CY21.
- The result is accompanied with bonus issue of 15% (ie. 15 shares for every 100 shares held).
- The result is below our expectation given lower NII and higher provisioning.

#### Impact

- The bank posted a PAT of Rs3.3bn in 4QCY22, up by 14% YoY, mainly due to (1) higher Net interest income and (2) lower provisioning expense.
- Net interest income (NII) increased by 38% YoY as interest income increased by 2.6xYoY.
- Non Markup income decreased by 4% YoY mainly due to loss on securities.
- However, Bank booked higher foreign exchange income (up 4% YoY), higher dividend income (up 98% YoY) and increased fee income (up 10% YoY) in 4QCY22. On sequential basis, foreign exchange income is down by 43% while fee income inclined by 30%.
- Operating expense increased by 24% YoY to Rs6.2bn in 4QCY22 due to the impact of new branches, inflation and rupee devaluation. This translated into Cost/income of 46% (down by 3.3ppts YoY).
- The bank recorded provision expense of Rs861mn, down 3% YoY, against provisioning expense of Rs884mn in 4QCY21.
- Effective tax rate for 4QCY22 clocked in at 48% (up/down 13/2ppts 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 0.36.

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Table 01: Earnings Review AKBL 4QCY22

	4QCY22	4QCY21	YoY	3QCY21	QoQ	CY22	CY21	YoY
Interest Earned	55,966	21,735	157%	48,123	16%	165,820	77,569	114%
Interest Expensed	45,086	13,846	226%	36,264	24%	125,830	45,140	179%
<b>Net Interest Income (NII)</b>	<b>10,880</b>	<b>7,888</b>	<b>38%</b>	<b>11,859</b>	<b>-8%</b>	<b>39,990</b>	<b>32,430</b>	<b>23%</b>
Fee Income	1,660	1,511	10%	1,274	30%	5,521	4,785	15%
Dividend Income	190	96	98%	113	69%	488	422	16%
Foreign Exchange Income	1,052	1,008	4%	1,829	-43%	5,494	3,124	76%
Gain on Securities	(435)	0	na	168	na	(251)	815	na
Other Income	134	107	25%	86	56%	446	402	11%
<b>Total Non Markup Income</b>	<b>2,601</b>	<b>2,722</b>	<b>-4%</b>	<b>3,470</b>	<b>-25%</b>	<b>11,698</b>	<b>9,548</b>	<b>23%</b>
Share of Profit from Associates	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>13,481</b>	<b>10,611</b>	<b>27%</b>	<b>15,328</b>	<b>-12%</b>	<b>51,689</b>	<b>41,977</b>	<b>23%</b>
<b>Non-Markup Expense</b>	<b>6,211</b>	<b>5,243</b>	<b>18%</b>	<b>6,352</b>	<b>-2%</b>	<b>23,175</b>	<b>21,321</b>	<b>9%</b>
Operating Expense	6,172	4,979	24%	6,231	-1%	22,668	21,017	8%
WWF	38	183	-79%	108	-65%	340	213	59%
Other Charges	1	81	-99%	13	-95%	168	83	103%
<b>Profit Before Provisions</b>	<b>7,270</b>	<b>5,367</b>	<b>35%</b>	<b>8,976</b>	<b>-19%</b>	<b>28,513</b>	<b>20,656</b>	<b>38%</b>
Provisions	861	884	-3%	71	1120%	1,042	4,984	-79%
<b>Profit Before Taxation</b>	<b>6,409</b>	<b>4,483</b>	<b>43%</b>	<b>8,906</b>	<b>-28%</b>	<b>27,471</b>	<b>15,672</b>	<b>75%</b>
Taxation	3,093	1,574	97%	4,462	-31%	13,398	5,956	125%
<b>Profit After Taxation</b>	<b>3,316</b>	<b>2,910</b>	<b>14%</b>	<b>4,444</b>	<b>-25%</b>	<b>14,073</b>	<b>9,716</b>	<b>45%</b>
<b>PAT Attributable to Shareholders</b>	<b>3,316</b>	<b>2,910</b>	<b>14%</b>	<b>4,444</b>	<b>-25%</b>	<b>14,073</b>	<b>9,716</b>	<b>45%</b>
EPS	2.63	2.31		3.53		11.17	7.71	
DPS	-	-		-		-	-	
<b>Cost/Income</b>	<b>46%</b>	<b>49%</b>		<b>41%</b>		<b>45%</b>	<b>51%</b>	
<b>Effective tax rate</b>	<b>48%</b>	<b>35%</b>		<b>50%</b>		<b>49%</b>	<b>38%</b>	

Source: Company Accounts, Foundation Research, February 2023

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