



KSE100 Closing 13297.12 (-153.95 points)

March 19, 2012

Pakistan Research

Bank | Initiation

Askari Bank Ltd: Contemplate this option...

Why not contemplate AKBL...

PBV 0.66x

Askari bank (AKBL) should be seen with a lot of improved outlook with the betterment coming in *Capital Adequacy Ratio* of 11.35% (CY10: 10.30%). The fact remained that AKBL continues to show improvement in commercial banking segment with lot of improvement still needed in areas such as investment banking operations (corporate finance).

Like any other bank in Pakistan, AKBL has been riding on lot of treasury finance since chunk of overall investments have increased in AFS portfolio. However, one of the recent silver lining is increase coming in equity portfolio and penultimate gains that may help in considerable earnings in 1QCY12. Gone are the days, when AKBL used to book gains on some NIT holdings and also considerable holding over ABL. Now AKBL's portfolio depict of potpourri of scripts who's market values have gone higher since Dec' 31, 2012. Last but not the least is the considerable exposure in *Sukuks* which is a good omen.

Hence we see propensity of earnings to increase in coming quarters given increase in core income plus investment gains. We see 1QCY11 diluted EPS to be Rs 1.0/sh – Rs 1.10/sh (ex.bonus 15%).

4QCY11 EPS improved: basic EPS doubled to Re 0.88 as against 3QCY11 EPS of Re 0.42

We see firmed up interest rates and lower provisioning has enhanced AKBL earnings outlook. We remind you that AKBL reported CY11 basic EPS of Rs 2.30 (diluted Rs 2/sh). Overall profit line doubled from CY10 to Rs 1.6bn. On the balance sheet *earnings asset* (EA) side, we see considerable enhancement in *investments* to Rs 133.7bn from Rs 102bn reported in CY10. The advances line continued to show cautious approach with *Advances* remained flat at Rs 150.7bn.

On the balance sheet liability side, deposits jumped to Rs 291.5bn in CY11 as against Rs 255.9bn in CY10 which we believe is a good sign. It has a lot to do with many rural centres in Punjab thrived on income from agriculture. Even during our recent visit to Central Punjab, the agriculture heartland, we saw AKBL had a significant presence thus that opens considerable room for retail banking.

Bank paid up shall increase to Rs 8.1 bn ; PBV 0.66x & good PE

AKBL has given 15% bonus issue in CY11 which is a customary thing since bank has a lesser paid up as against peers. However, shareholders would still take heart from lower capital base since propensity of earnings may glow instead of what we see in some of the other players such as Standard Chartered (SCBPL) and NIB.

AKBL yield cheap PBV multiple of 0.66x (based on our 1QCY12 earnings forecast). CY12 PE also ranged between 3.9x – 4.5x which makes AKBL a good investment in CY12.

AKBL closing	Rs 13.79
Chg	-0.44%
52 week hi	14.35
52 week low	8.50
Beta	1.32
Ex bonus shares	707.01mn
Free float	321.37mn

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