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## AKBL: 2QCY24 EPS clocks in at PKR 3.01, up 5% YoY

### Askari Bank Limited

PSX: AKBL | Bloomberg: AKBL PA | Reuters: ASBK.PSX

- AKBL announced the 2QCY24 result today wherein the bank recorded an EPS of PKR 3.01, up 5% YoY.
- Net interest income for 2QCY24 came in lower than our expectations, arriving at PKR 11.9bn (-8% YoY). We await the bank's detailed financial report for the quarter to assess the deviation. Interest expense clocked in at PKR 93bn (+60% YoY) and interest income arrived at PKR 104.9bn (+48% YoY).
- Non-interest income increased by 3% YoY to PKR 3.7bn on the back higher dividend income of PKR 0.3bn (up 86% YoY) and sizable capital gains of PKR 0.6bn (up 4.3x YoY).
- AKBL booked a reversal of PKR 1.6bn, versus a provision of PKR 675mn in SPLY.
- Admin expenses for 2QCY24 increased by 17% YoY to PKR 8.4bn, translating into a cost-income ratio of 54% versus 43% in 2QCY23.
- Effective tax rate clocked in at 51% in 2QCY24 compared to 52% in 2QCY23.
- We have a 'BUY' rating on the scrip with Dec-24 price target of PKR 40/share, providing an upside of 56% along with a dividend yield of 13%.

#### Key Data

| PSX Ticker              | AKBL   |
|-------------------------|--------|
| Target Price (PKR)      | 40     |
| Current Price (PKR)     | 25     |
| Upside/(Downside) (%)   | 56%    |
| Dividend Yield (%)      | 13%    |
| Total Return (%)        | 69%    |
| 12-month High (PKR)     | 31     |
| 12-month Low (PKR)      | 15     |
| Outstanding Shares (mn) | 1,449  |
| Market Cap (PKR mn)     | 35,870 |

Source: Company Accounts, Akseer Research

| Financial Highlights (PKR mn) | 2QCY23        | 2QCY24        | YoY        | 1HCY23        | 1HCY24        | YoY        |
|-------------------------------|---------------|---------------|------------|---------------|---------------|------------|
| M/up Earned                   | 70,864        | 104,900       | 48%        | 128,012       | 205,341       | 60%        |
| M/up Expense                  | 57,979        | 93,000        | 60%        | 103,191       | 180,577       | 75%        |
| <b>Net Interest Income</b>    | <b>12,885</b> | <b>11,900</b> | <b>-8%</b> | <b>24,821</b> | <b>24,764</b> | <b>0%</b>  |
| Non-Interest Income           | 3,622         | 3,742         | 3%         | 6,763         | 7,505         | 11%        |
| Total Provisions              | 675           | (1,627)       | NM         | 617           | (454)         | NM         |
| Admin Expenses                | 7,179         | 8,402         | 17%        | 13,961        | 16,516        | 18%        |
| <b>Profit Before Tax</b>      | <b>8,654</b>  | <b>8,868</b>  | <b>2%</b>  | <b>17,006</b> | <b>16,207</b> | <b>-5%</b> |
| Tax                           | 4,520         | 4,512         | 0%         | 8,168         | 8,136         | 0%         |
| <b>Profit After Tax</b>       | <b>4,134</b>  | <b>4,356</b>  | <b>5%</b>  | <b>8,838</b>  | <b>8,071</b>  | <b>-9%</b> |
| EPS                           | 2.85          | 3.01          | -          | 6.10          | 5.57          | -          |
| DPS                           | 0.00          | 0.00          | -          | 0.00          | 0.00          | -          |

Source: Company Accounts, Akseer Research

| Key Financial Ratios | CY21A  | CY22A | CY23A | CY24E  | CY25F | CY26F |
|----------------------|--------|-------|-------|--------|-------|-------|
| EPS                  | 6.7    | 9.7   | 14.8  | 11.4   | 12.2  | 13.3  |
| EPS Growth           | -10.2% | 44.9% | 52.4% | -22.7% | 6.7%  | 8.7%  |
| DPS                  | 0.0    | 0.0   | 2.0   | 3.3    | 3.8   | 5.3   |
| BVPS                 | 38.6   | 50.6  | 67.0  | 72.5   | 81.4  | 90.9  |
| PER                  | 3.7    | 2.6   | 1.7   | 2.3    | 2.1   | 2.0   |
| Dividend Yield       | 0.0%   | 0.0%  | 8.0%  | 12.5%  | 14.5% | 20.3% |
| P/B                  | 0.6    | 0.5   | 0.4   | 0.4    | 0.3   | 0.3   |
| ROE                  | 17.6%  | 21.8% | 25.2% | 16.4%  | 15.9% | 15.4% |

Source: Company Accounts, Akseer Research

### Valuation Basis

Our PT for Askari Bank Limited (AKBL) has been computed on the dividend discounting method using Justified P/B for the calculation of terminal value. We have used sustainable ROE of 15% to arrive at exit P/B, along with a risk-free rate of 14%, a beta of 1.0 and a market risk premium of 6% to arrive at a cost of equity of 20%.

### Investment Thesis

We have a BUY recommendation on the stock based on our Dec-24 PT of 40/share. Our price target provides a capital upside of 56% along with a dividend yield of 13%. Our investment case on AKBL is based on (1) NIMs expansion on the back of strong balance sheet growth (2) balance sheet ideally positioned to benefit from the monetary easing.

### Risks

Key risks to our investment thesis are 1) cost to income ratio remaining elevated longer than anticipated, 2) more than anticipated decline in interest rates 3) lower than anticipated growth in advances and deposits 4) higher than the forecasted increase in NPLs.

### Company Description

Askari Bank was incorporated in Pakistan on October 9, 1991, as a public limited company. The bank operates through 660 branches; 659 in Pakistan and Azad Jammu and Kashmir and a Wholesale Bank Branch (WBB) in the Kingdom of Bahrain. The Fauji Consortium is the major shareholder in the bank.

### Financial Highlights - AKBL

| Income Statement (PKR mn)  | CY21A         | CY22A         | CY23A         | CY24E         | CY25F         | CY26F         |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Mark-up/interest earned    | 77,550        | 165,796       | 305,636       | 424,809       | 362,603       | 312,911       |
| Mark-up/interest expensed  | 45,140        | 125,834       | 246,214       | 371,136       | 306,795       | 252,693       |
| <b>Net interest income</b> | <b>32,410</b> | <b>39,962</b> | <b>59,423</b> | <b>53,673</b> | <b>55,809</b> | <b>60,218</b> |
| <b>Non-interest income</b> | <b>9,370</b>  | <b>11,620</b> | <b>12,938</b> | <b>15,078</b> | <b>15,642</b> | <b>16,925</b> |
| Provision charged          | 4,940         | 1,042         | 967           | 2,761         | 1,768         | 1,783         |
| Operating expenses         | 21,194        | 23,080        | 29,348        | 33,907        | 35,003        | 37,649        |
| <b>Profit after tax</b>    | <b>9,701</b>  | <b>14,062</b> | <b>21,436</b> | <b>16,573</b> | <b>17,688</b> | <b>19,235</b> |

Source: Company Accounts, Akseer Research

| Balance Sheet (PKR mn)                | CY21A            | CY22A            | CY23A            | CY24E            | CY25F            | CY26F            |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & Treasury Balances              | 92,887           | 80,627           | 173,876          | 196,480          | 216,128          | 237,741          |
| Investments                           | 616,361          | 762,531          | 1,182,538        | 1,398,880        | 1,384,756        | 1,528,343        |
| Advances                              | 477,588          | 583,811          | 633,133          | 753,163          | 830,650          | 916,060          |
| Operating Fixed Assets                | 45,789           | 65,352           | 95,770           | 129,669          | 142,636          | 156,900          |
| Other Assets                          | 26,518           | 33,813           | 38,689           | 36,947           | 33,016           | 29,656           |
| <b>Total Assets</b>                   | <b>1,259,144</b> | <b>1,526,134</b> | <b>2,124,006</b> | <b>2,515,140</b> | <b>2,607,186</b> | <b>2,868,700</b> |
| Borrowings from Fls                   | 123,564          | 233,432          | 643,363          | 858,726          | 783,860          | 862,246          |
| Deposits                              | 1,015,430        | 1,142,575        | 1,293,146        | 1,461,254        | 1,607,380        | 1,768,118        |
| Other Liabilities                     | 64,248           | 76,805           | 90,375           | 90,122           | 97,934           | 106,527          |
| <b>Total Liabilities</b>              | <b>1,203,242</b> | <b>1,452,811</b> | <b>2,026,883</b> | <b>2,410,102</b> | <b>2,489,174</b> | <b>2,736,891</b> |
| Equity                                | 55,902           | 73,322           | 97,123           | 105,038          | 118,012          | 131,808          |
| <b>Total Liabilities &amp; Equity</b> | <b>1,259,144</b> | <b>1,526,134</b> | <b>2,124,006</b> | <b>2,515,140</b> | <b>2,607,186</b> | <b>2,868,700</b> |

Source: Company Accounts, Akseer Research

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| Rating | Expected Total Return         |
|--------|-------------------------------|
| Buy    | Greater than or equal to +15% |
| Hold   | Between -5% and +15%          |
| Sell   | Less than or equal to -5%     |

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