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AKBL: 2QCY24 EPS to clock in at PKR 2.44, down 14% YoY

Askari Bank Limited

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

- AKBL is scheduled to announce its 2QCY24 financial result on 29th August, 2024 wherein we expect the bank to post an unconsolidated EPS of PKR 2.44 in 2QCY24 (-14% YoY).
- Net interest income (NII) for the quarter is anticipated to remain flattish (up by 4% YoY) to PKR 13.4bn with Interest income expected to grow by 52% YoY. However, interest expense will likely accelerate at a higher pace (+63% YoY) during 2QCY24.
- Non-interest income is expected to increase by 5% YoY to PKR 3.8bn, with fee and commission income likely to increase by 3% yoy to PKR 1.8bn and forex income expected to increase by 2% yoy to PKR 1.5bn in 2QCY24.
- Provisioning expense is estimated to clock in at PKR 939mn compared to a provisioning expense of PKR 675mn in SPLY.
- We expect the cost to income ratio to arrive at 54% versus 43% in 2QCY23 on account of 30% YoY increase in administrative expenses to PKR 9.3bn.
- Effective tax rate for 2QCY24 is expected to clock in at 49% versus 52% in SPLY.
- We have a 'BUY' rating on the scrip with Dec-24 PT 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)	26
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)	37,406

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	2QCY23	2QCY24E	YoY	1HCY23	1HCY24E	YoY
M/up Earned	70,864	107,814	52%	128,012	208,256	63%
M/up Expense	57,979	94,403	63%	103,191	181,981	76%
Net Interest Income	12,885	13,412	4%	24,821	26,276	6%
Non-Interest Income	3,622	3,796	5%	6,763	7,559	12%
Total Provisions	675	939	39%	617	2,113	242%
Admin Expenses	7,179	9,332	30%	13,961	17,446	25%
Profit Before Tax	8,654	6,937	-20%	17,006	14,276	-16%
Tax	4,520	3,399	-25%	8,168	7,023	-14%
Profit After Tax	4,134	3,538	-14%	8,838	7,253	-18%
EPS	2.85	2.44	-	6.10	5.00	-
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	3.9	2.7	1.8	2.3	2.1	2.0
Dividend Yield	0.0%	0.0%	7.7%	12.5%	14.5%	20.3%
P/B	0.7	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
Net interest income	32,410	39,962	59,423	53,673	55,809	60,218
Non-interest income	9,370	11,620	12,938	15,132	15,642	16,925
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
Profit after tax	9,701	14,062	21,436	16,573	17,688	19,235

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
Total Assets	1,259,144	1,526,134	2,124,006	2,515,140	2,607,186	2,868,700
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
Total Liabilities	1,203,242	1,452,811	2,026,883	2,410,102	2,489,174	2,736,891
Equity	55,902	73,322	97,123	105,038	118,012	131,808
Total Liabilities & Equity	1,259,144	1,526,134	2,124,006	2,515,140	2,607,186	2,868,700

Source: Company Accounts, Akseer Research

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

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