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## AKBL: 3QCY24 EPS to clock in at PKR 3.52, down 11% YoY

### Askari Bank Limited

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

- Askari Bank Limited (AKBL) is scheduled to announce its 3QCY24 financial result on 29<sup>th</sup> October, 2024 wherein we expect the bank to post an unconsolidated EPS of PKR 3.52 (down by -11% YoY).
- Net interest income (NII) for the quarter is anticipated to remain flattish to PKR 15.7bn, with interest expense expected to outpace interest income, increasing by 20% YoY versus 16% YoY during 3QCY24.
- Non-interest income is expected to increase by 4% YoY to PKR 3.3bn, with fee and commission income likely to record at PKR 1.8bn and FX income expected to arrive at PKR 1.5bn during 3QCY24.
- Provisioning expense is estimated to clock in at PKR 407mn compared to a provisioning expense of PKR 73mn in SPLY.
- We expect the cost to income ratio to arrive at 54% versus 43% in 3QCY23 on account of 16% YoY increase in administrative expenses to PKR 8.6bn.
- Effective tax rate for 3QCY24 is expected to clock in at 49% versus 39% in SPLY.
- We have a 'Buy' rating on the scrip with Dec-25 PT of PKR 40/share, providing an upside of 33%, along with a dividend yield of 12%.

#### Key Data

| PSX Ticker              | AKBL   |
|-------------------------|--------|
| Target Price (PKR)      | 40     |
| Current Price (PKR)     | 30     |
| Upside/(Downside) (%)   | 33%    |
| Dividend Yield (%)      | 12%    |
| Total Return (%)        | 45%    |
| 12-month High (PKR)     | 31     |
| 12-month Low (PKR)      | 18     |
| Outstanding Shares (mn) | 1,449  |
| Market Cap (PKR mn)     | 42,899 |

Source: Company Accounts, Akseer Research

| Financial Estimates (PKR mn) | 3QCY23        | 3QCY24E       | YoY         | 9MCY23        | 9MCY24E       | YoY         |
|------------------------------|---------------|---------------|-------------|---------------|---------------|-------------|
| M/up Earned                  | 88,828        | 103,335       | 16%         | 216,840       | 308,677       | 42%         |
| M/up Expense                 | 73,131        | 87,605        | 20%         | 176,321       | 268,183       | 52%         |
| <b>Net Interest Income</b>   | <b>15,698</b> | <b>15,730</b> | <b>0%</b>   | <b>40,519</b> | <b>40,494</b> | <b>0%</b>   |
| Non-Interest Income          | 3,137         | 3,270         | 4%          | 9,899         | 10,775        | 9%          |
| Total Provisions             | 73            | 407           | 457%        | 690           | (47)          | NM          |
| Admin Expenses               | 7,393         | 8,576         | 16%         | 21,355        | 25,092        | 18%         |
| <b>Profit Before Tax</b>     | <b>11,368</b> | <b>10,016</b> | <b>-12%</b> | <b>28,373</b> | <b>26,224</b> | <b>-8%</b>  |
| Tax                          | 5,641         | 4,908         | -13%        | 13,809        | 13,044        | -6%         |
| <b>Profit After Tax</b>      | <b>5,727</b>  | <b>5,108</b>  | <b>-11%</b> | <b>14,564</b> | <b>13,180</b> | <b>-10%</b> |
| EPS                          | 3.95          | 3.52          | -           | 10.05         | 9.09          | -           |
| 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  | 12.0   | 11.8  | 10.9  |
| EPS Growth           | -10.2% | 44.9% | 52.4% | -18.6% | -2.1% | -7.2% |
| DPS                  | 0.0    | 0.0   | 2.0   | 3.5    | 3.5   | 4.3   |
| BVPS                 | 38.6   | 50.6  | 67.0  | 75.6   | 83.8  | 91.3  |
| PER                  | 4.5    | 3.1   | 2.0   | 2.5    | 2.6   | 2.8   |
| Dividend Yield       | 0.0%   | 0.0%  | 6.6%  | 11.6%  | 11.6% | 14.1% |
| P/B                  | 0.8    | 0.6   | 0.4   | 0.4    | 0.4   | 0.3   |
| ROE                  | 17.6%  | 21.8% | 25.2% | 16.9%  | 14.8% | 12.5% |

Source: Company Accounts, Akseer Research

### Valuation Basis

Our PT for Askari Bank Limited (AKBL) has been computed on the dividend discount method using Justified P/B for the calculation of terminal value. We have used sustainable ROE of 14% 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-25 PT of 40/share. Our price target provides a capital upside of 33% along with a dividend yield of 12%. 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       | 397,308       | 275,159       | 226,529       |
| Mark-up/interest expensed  | 45,140        | 125,834       | 246,214       | 342,785       | 218,471       | 170,400       |
| <b>Net interest income</b> | <b>32,410</b> | <b>39,962</b> | <b>59,423</b> | <b>54,522</b> | <b>56,688</b> | <b>56,129</b> |
| <b>Non-interest income</b> | <b>9,370</b>  | <b>11,620</b> | <b>12,938</b> | <b>14,251</b> | <b>13,853</b> | <b>14,577</b> |
| Provision charged          | 4,940         | 1,042         | 967           | 385           | 1,233         | 1,249         |
| Operating expenses         | 21,194        | 23,080        | 29,348        | 33,792        | 35,826        | 38,403        |
| <b>Profit after tax</b>    | <b>9,701</b>  | <b>14,062</b> | <b>21,436</b> | <b>17,451</b> | <b>17,077</b> | <b>15,840</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          | 202,375          | 222,612          |
| Investments                           | 616,361          | 762,531          | 1,182,538        | 1,179,570        | 1,023,783        | 1,129,116        |
| Advances                              | 477,588          | 583,811          | 633,133          | 755,232          | 832,516          | 917,722          |
| Operating Fixed Assets                | 45,789           | 65,352           | 95,770           | 123,804          | 127,518          | 140,270          |
| Other Assets                          | 26,518           | 33,813           | 38,689           | 130,079          | 128,374          | 133,715          |
| <b>Total Assets</b>                   | <b>1,259,144</b> | <b>1,526,134</b> | <b>2,124,006</b> | <b>2,385,164</b> | <b>2,314,566</b> | <b>2,543,435</b> |
| Borrowings from FIs                   | 123,564          | 233,432          | 643,363          | 730,627          | 602,037          | 662,241          |
| Deposits                              | 1,015,430        | 1,142,575        | 1,293,146        | 1,461,254        | 1,505,092        | 1,655,601        |
| Other Liabilities                     | 64,248           | 76,805           | 90,375           | 83,770           | 85,923           | 93,315           |
| <b>Total Liabilities</b>              | <b>1,203,242</b> | <b>1,452,811</b> | <b>2,026,883</b> | <b>2,275,651</b> | <b>2,193,052</b> | <b>2,411,157</b> |
| Equity                                | 55,902           | 73,322           | 97,123           | 109,513          | 121,515          | 132,278          |
| <b>Total Liabilities &amp; Equity</b> | <b>1,259,144</b> | <b>1,526,134</b> | <b>2,124,006</b> | <b>2,385,164</b> | <b>2,314,566</b> | <b>2,543,435</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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