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BAHL: 3QCY24 EPS to clock in at PKR 10.98, up 9% YoY, DPS PKR 3.50

Bank AL Habib Limited

PSX: BAHL | Bloomberg: BAHL PA | Reuters: BKEQ.PSX

- BAHL is scheduled to announce its 3QCY24 financial result today, wherein we anticipate the bank to post an unconsolidated EPS of PKR 10.98, up 9% YoY. Along with the result, we expect BAHL to announce an interim cash dividend of PKR 3.50/sh.
- We expect the net interest income to arrive at PKR 40.5bn for 3QCY24 (up by 18% YoY). Interest income is expected to increase to PKR 125.2bn (up by 24% YoY), while interest expense is anticipated to clock in at PKR 84.7bn (up 27% YoY).
- Non-interest income is anticipated to grow by 20% YoY to PKR 6.8bn on the back of higher fee & commission income which is expected increase by 37% YoY to PKR 5.0bn in 3QCY24.
- We expect BAHL to book a provision expense of PKR 1.0bn versus a provision expense of PKR 76mn in SPLY.
- Admin expenses are likely to increase by 25% YoY to PKR 22.4bn in 3QCY24 with cost to income for the quarter expected to clock-in at 47%.
- The effective tax rate is expected to arrive at 49% in 3Q versus a similar tax rate in SPLY.
- We have a 'Buy' rating on the scrip with Dec-25 price target of PKR 112/share, providing an upside of 4% along with a dividend yield of 17%.

Key Data

PSX Ticker	BAHL
Target Price (PKR)	112
Current Price (PKR)	108
Upside/(Downside) (%)	4%
Dividend Yield (%)	17%
Total Return (%)	21%
12-month High (PKR)	117
12-month Low (PKR)	54
Outstanding Shares (mn)	1,111
Market Cap (PKR mn)	120,190

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	3QCY23	3QCY24E	YoY	9MCY23	9MCY24E	YoY
M/up Earned	100,994	125,230	24%	262,212	367,546	40%
M/up Expense	66,679	84,706	27%	176,973	252,916	43%
Net Interest Income	34,315	40,523	18%	85,239	114,630	34%
Non-Interest Income	5,687	6,802	20%	17,439	20,972	20%
Total Provisions	76	1,000	1218%	(1,051)	8,392	-898%
Admin Expenses	17,920	22,400	25%	50,778	62,780	24%
Profit Before Tax	22,005	23,925	9%	52,951	64,430	22%
Tax	10,809	11,723	8%	23,667	31,140	32%
Profit After Tax	11,196	12,202	9%	29,284	33,290	14%
EPS	10.07	10.98	-	26.35	29.95	-
DPS	4.50	3.50	-	9.00	10.50	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	16.8	14.9	31.8	37.2	35.0	33.2
EPS Growth	5.0%	-11.4%	113.1%	17.1%	-5.9%	-5.3%
DPS	7.0	7.0	14.0	14.5	18.5	18.5
BVPS	81.0	85.7	113.9	134.4	152.5	181.2
PER	6.4	7.2	3.4	2.9	3.1	3.3
Dividend Yield	6.5%	6.5%	13.0%	13.4%	17.1%	17.1%
P/B	1.3	1.3	0.9	0.8	0.7	0.6
ROE	22.0%	17.9%	31.8%	30.0%	24.4%	19.9%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Bank Al-Habib Limited (BAHL) has been computed on dividend discounting method using Justified P/B for the calculation of terminal value. We have used sustainable ROE of 18% to calculate exit P/B, along with a risk free rate of 14%, a beta of 1.0 and 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 PKR 112/share which results in an upside of 4% along with a dividend yield of 17%. Our investment case on BAHL is based on (1) one of the best asset qualities among banks (2) an aggressive branch expansion strategy to drive deposits (3) an investment book focused on short term instruments.

Risks

Key risks to our investment thesis are: 1) higher-than-expected NPLs, 2) lower-than-anticipated growth in advances & deposits 3) higher-than-expected increase in cost-to-income ratio.

Company Description

Incorporated in 1991 in Karachi, Bank AL Habib Limited provides retail and commercial banking products and services in Pakistan, the Middle East, the Asia Pacific, and Africa. Through its subsidiary the bank is also present in Retail Brokerage segments. Further, the bank engages in all treasury and international trade related activities. It operates through a network of 1,084 branches, 29 sub-branches, 4 representative branches and two overseas branches. The bank's network also includes 201 Islamic Banking branches as of December 31, 2023.

Financial Highlights - BAHL

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	116,752	200,921	373,902	488,701	415,668	376,477
Mark-up/interest expensed	61,143	123,602	249,755	334,628	251,181	222,774
Net interest income	55,609	77,319	124,148	154,073	164,487	153,703
Non-interest income	14,027	21,196	23,227	28,142	35,178	45,215
Provision charged	(47)	12,871	4,200	9,326	4,176	2,427
Operating expenses	39,410	52,761	72,047	84,063	91,302	100,917
Profit after tax	18,702	16,570	35,319	41,360	38,927	36,851

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	125,340	109,231	148,397	168,398	202,077	232,389
Investments	826,600	1,158,521	1,503,895	1,855,837	2,268,464	2,645,897
Advances	733,799	813,535	869,459	1,127,882	1,310,081	1,483,313
Operating Fixed Assets	55,961	62,440	79,697	84,583	84,583	84,583
Other Assets	107,952	128,342	139,572	160,996	193,195	222,175
Total Assets	1,849,652	2,272,068	2,741,020	3,397,696	4,058,401	4,668,356
Borrowings from Fls	302,213	418,989	477,438	596,798	716,157	823,581
Deposits	1,309,823	1,568,138	1,934,037	2,417,546	2,901,055	3,336,213
Other Liabilities	147,601	189,698	202,939	233,977	271,709	307,136
Total Liabilities	1,759,637	2,176,826	2,614,413	3,248,320	3,888,920	4,466,929
Equity	90,015	95,242	126,607	149,375	169,480	201,427
Total Liabilities & Equity	1,849,652	2,272,068	2,741,020	3,397,696	4,058,401	4,668,356

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

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