

Bank AL Habib Limited
Result Review

PSX: B AHL Bloomberg: B AHL: PA Reuters: B KEQ: KA

Pakistan Research

BAHL: 4QCY23 EPS clocked in at PKR 5.43, up 277% YoY; DPS PKR 5.0

- BAHL announced its 4QCY23 financial result today. Wherein, the bank reported an unconsolidated EPS of PKR 5.43, up 3.8x YoY. This took the cumulative CY23 EPS to PKR 31.78, up 113% YoY. Along with its result, the bank announced final cash dividend of PKR 5.0/share. This took the CY23 payout to PKR 14.0/share.
- Net interest income for the quarter increased by 71% YoY to PKR 38.9bn due to higher interest rates. Interest income surged by 65% YoY to PKR 111.7bn, while the interest expense stood at PKR 72.8bn, up 62% YoY.
- Non-interest income increased by 14% YoY to PKR 5.8bn, during the 4QCY23. Fee & commission income grew by 17.5% YoY to PKR 3.5bn, while forex income remained flat at PKR 1.5bn.
- The bank booked the provisions expense of PKR 5.2bn for the 4QCY23 against the provision expense of PKR 10.4bn in 4QCY22.
- Operating expenses for the quarter increased by 59% YoY to PKR 21.2bn due to inflationary pressures. Cost to income ratio of the bank slightly improved to 47.6% during 4QCY23 vs 48.1% in the SPLY.
- Effective tax rate for the 4Q clocked in at 66%. The higher effective tax rate is attributable to the continuation of super-tax.
- We have a 'BUY' rating on the scrip. Our Dec-24 price target of PKR 105/share offers a capital upside of 21%, along with a dividend yield of 18%.

Key Data

PSX Ticker	BAHL
Target Price (PKR)	105
Current Price (PKR)	87
Upside/(Downside) (%)	+21%
Dividend Yield (%)	18%
Total Return (%)	39%
12-month High (PKR)	90
12-month Low (PKR)	40
Outstanding Shares (mn)	1,111
Market Cap (PKR mn)	96,383
Year End	December

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	4QCY22	4QCY23	YoY	CY22	CY23	YoY
M/up Earned	67,740	111,690	65%	200,921	373,902	86%
M/up Expense	45,004	72,782	62%	123,602	249,755	102%
Net Interest Income	22,736	38,909	71%	77,319	124,148	61%
Non-Interest Income	5,088	5,788	14%	21,196	23,227	10%
Total Provisions	10,427	5,251	-50%	12,871	4,200	-67%
Operating Expenses	13,377	21,269	59%	52,761	72,047	37%
Profit Before Tax	4,020	18,177	352%	32,884	71,128	116%
Taxation	2,419	12,141	402%	16,314	35,809	120%
Profit After Tax	1,602	6,036	277%	16,570	35,319	113%
EPS	1.44	5.43	277%	14.91	31.78	113%
DPS	7.00	5.00		7.00	14.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	16.8	14.9	31.8	39.0	40.5	40.3
EPS Growth	5.0%	-11.4%	113.1%	22.6%	3.9%	-0.4%
DPS	7.0	7.0	14.0	15.6	16.3	16.0
BVPS	81.0	85.7	106.9	141.1	166.3	190.6
PER	5.2	5.8	2.7	2.2	2.1	2.2
Dividend Yield	8.1%	8.1%	16.1%	18.0%	18.7%	18.5%
P/B	1.1	1.0	0.8	0.6	0.5	0.5
ROE	22.0%	17.9%	33.0%	31.4%	26.3%	22.6%

Source: Company Accounts, Akseer Research

Research
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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 15%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 21%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our Dec-24 PT of PKR 104.6/share which results in an upside of 21% along with a dividend yield of 18.0%. Our investment case on BAHL is based on (1) One of the best asset quality amongst the banks (2) higher coverage ratio in the industry (3) investment book focused on short term instruments.

Risks

Key risks to our investment thesis are: 1) higher than anticipated increase in NPLs, 2) lower than anticipated growth in advances and deposits 3) higher than expected increase in cost/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 1,074 branches, 29 sub-branches, 4 representative offices, 9 booths and 02 overseas branches. The branch network of the bank also includes 193 Islamic Banking branches as of 30 September 2023.

Financial Highlights - BAHL

Income Statement (PKR mn)						
	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	116,752	200,921	373,902	472,318	451,156	424,983
Mark-up/interest expensed	61,143	123,602	249,755	321,608	296,970	262,258
Net interest income	55,609	77,319	124,148	150,710	154,186	162,725
Non-interest income	14,027	21,196	23,227	20,525	20,807	21,764
Provision charged	(47)	12,871	4,200	1,668	1,809	2,799
Operating expenses	39,410	52,761	72,047	77,198	84,978	93,879
Profit after tax	18,702	16,570	35,319	43,295	44,985	44,784

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	125,340	109,231	132,169	155,960	184,033	206,116
Investments	826,600	1,158,521	1,526,654	1,718,142	2,054,887	2,299,070
Advances	733,799	813,535	856,380	1,117,836	1,298,461	1,467,605
Operating Fixed Assets	55,961	62,440	79,159	79,159	79,159	79,159
Other Assets	107,952	128,342	124,742	147,195	173,691	194,533
Total Assets	1,849,652	2,272,068	2,719,105	3,218,293	3,790,230	4,246,485
Borrowings from FIs	302,213	418,989	506,977	598,233	705,915	790,625
Deposits	1,309,823	1,568,138	1,897,447	2,238,988	2,642,005	2,959,046
Other Liabilities	147,601	189,698	195,830	224,218	257,531	285,024
Total Liabilities	1,759,637	2,176,826	2,600,254	3,061,438	3,605,451	4,034,694
Equity	90,015	95,242	118,850	156,854	184,779	211,790
Total Liabilities & Equity	1,849,652	2,272,068	2,719,105	3,218,293	3,790,230	4,246,485

Source: Company Accounts, Akseer Research

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Valuation Methodology

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.

Ratings Criteria

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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