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BAHL: 2QCY24 EPS clocks in at PKR 10.24, up 50% YoY, DPS PKR 3.50

Bank AL Habib Limited

PSX: BAHL | Bloomberg: BAHL PA | Reuters: BAHL: KA

- BAHL announced the 2QCY24 result today wherein the bank recorded an EPS of PKR 10.24, up 50% YoY. The bank declared a cash dividend of PKR 3.5/sh, taking the payout for 1HCY24 to PKR 7.0/sh.
- Net interest income for 2QCY24 arrived at PKR 37.3bn (+42% YoY). Interest expense clocked in at PKR 85.9bn and interest income arrived at PKR 123.2bn, accelerating by 43% YoY.
- Non-interest income increased by 28% YoY to PKR 7.2bn on the back of a notable increase in fee & commission income (+46% YoY) to PKR 5.5bn.
- BAHL booked a provision of PKR 517mn, versus a reversal of PKR 142mn in SPLY.
- Admin expenses for 2QCY24 increased by 26% YoY to PKR 22.2bn, translating into a cost-income ratio of 50% versus 55% in 2QCY23.
- Effective tax rate clocked in at 48% in 2QCY24, same as last year.
- We have a 'BUY' rating on the scrip with Dec-24 price target of PKR 112/share, providing an upside of 11% along with a dividend yield of 16%.

Key Data

PSX Ticker	BAHL
Target Price (PKR)	112
Current Price (PKR)	101
Upside/(Downside) (%)	11%
Dividend Yield (%)	16%
Total Return (%)	27%
12-month High (PKR)	117
12-month Low (PKR)	44
Outstanding Shares (mn)	1,111
Market Cap (PKR mn)	112,243

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)	2QCY23	2QCY24	YoY	1HCY23	1HCY24	YoY
M/up Earned	86,413	123,219	43%	161,219	242,292	50%
M/up Expense	60,109	85,922	43%	110,290	168,117	52%
Net Interest Income	26,304	37,297	42%	50,929	74,175	46%
Non-Interest Income	5,617	7,188	28%	12,066	15,194	26%
Total Provisions	(142)	517	NM	(1,122)	7,391	NM
Admin Expenses	17,598	22,156	26%	32,979	40,643	23%
Profit Before Tax	14,464	21,811	51%	31,138	41,334	33%
Taxation	6,881	10,429	52%	12,929	19,719	53%
Profit After Tax	7,586	11,383	50%	18,209	21,615	19%
EPS	6.83	10.24	-	16.39	19.45	-
DPS	4.50	3.50	-	4.50	7.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	16.8	14.9	31.8	36.2	34.9	32.5
EPS Growth	5.0%	-11.4%	113.1%	13.8%	-3.4%	-7.1%
DPS	7	7	14	16	18	18.3
BVPS	81	85.7	113.9	134.1	151.6	180.2
PER	5.4	6	2.8	2.5	2.6	2.8
Dividend Yield	6.9%	6.9%	13.9%	15.9%	17.8%	18.1%
P/B	1.2	1.2	0.9	0.8	0.7	0.6
ROE	22.0%	17.9%	31.8%	29.2%	24.5%	19.6%

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

Investment Thesis

We have a 'BUY' recommendation on the stock based on our Dec-24 PT of PKR 112/share which results in an upside of 11% along with a dividend yield of 16%. 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	456,623	420,778	401,186
Mark-up/interest expensed	61,143	123,602	249,755	313,247	274,666	253,677
Net interest income	55,609	77,319	124,148	143,376	146,112	147,508
Non-interest income	14,027	21,196	23,227	26,900	25,476	26,557
Provision charged	(47)	12,871	4,200	10,683	4,669	2,909
Operating expenses	39,410	52,761	72,047	81,224	90,760	100,375
Profit after tax	18,702	16,570	35,319	40,193	38,841	36,099

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	125,340	109,231	148,397	148,190	177,828	204,502
Investments	826,600	1,158,521	1,503,895	1,540,493	1,888,641	2,208,477
Advances	733,799	813,535	869,459	1,133,897	1,316,075	1,489,297
Operating Fixed Assets	55,961	62,440	79,697	79,159	79,159	79,159
Other Assets	107,952	128,342	139,572	139,862	167,834	193,010
Total Assets	1,849,652	2,272,068	2,741,020	3,041,601	3,629,538	4,174,445
Borrowings from Fls	302,213	418,989	477,438	525,182	630,218	724,751
Deposits	1,309,823	1,568,138	1,934,037	2,127,440	2,552,928	2,935,867
Other Liabilities	147,601	189,698	202,939	239,920	277,875	313,566
Total Liabilities	1,759,637	2,176,826	2,614,413	2,892,542	3,461,021	3,974,184
Equity	90,015	95,242	126,607	149,059	168,516	200,260
Total Liabilities & Equity	1,849,652	2,272,068	2,741,020	3,041,601	3,629,538	4,174,445

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.

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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