

Bank AL Habib Limited

KATS: B AHL
Bloomberg: B AHL PA

Price: PKR 104
Fair Value: PKR 140

OUTPERFORM

NII Improves 1% Q/Q in 2QCY24

7 August 2024

- 2QCY24 earnings posted at PKR 9.97/sh (+11/47% Q/Q / Y/Y).** The improvement in the loan book is likely to have helped grow B A H L's NII by 1% Q/Q. To highlight, the yield on advances dropped to 16.0% in 1QCY24 from a peak of 18.1% in 3QCY23. The improvement is also reflected by a nominal 0.5 BN (down a staggering 92% Q/Q) provisioning expense. However, this was largely offset by a 21% Q/Q jump in admin expenses. The exceptional 47% Y/Y jump in net income is also attributable to core income (up 42% Y/Y), as the bank continued to re-profile its investment book to higher-yielding floating bonds during the period.
- Payout of PKR 3.5/sh in 2QCY24.** B A H L announced PKR 3.5 DPS in 2QCY24, in line with our expectations, taking 1HCY24 payout to PKR 7.0/sh vs PKR 4.5/sh SPLY.
- Non interest income down 13% Q/Q.** The decline is attributable to a 61% Q/Q drop in FX income to PKR 976 MN (down 13% Y/Y). However, the fee income continued to grow impressively by 22% Q/Q to PKR 5.0 BN (up 37% Y/Y), which helped partially offset the impact of the decline in FX income.
- Provisioning expenses normalized.** The provisioning expense has been pressuring the bottom line for the previous two quarters (4QCY23 & 1QCY24), with a cumulative booking of PKR 12 BN provisioning due to a stressed loan book. This normalized to PKR 517 MN in 2QCY24.
- Outlook.** B A H L's loan book seems to be improving, which is reflected in both lower provisioning and sequential improvement in NII. NII is expected to remain strong going forward and the fee income is also on a strong growth trajectory. The bank is offering a 13.8% DY and trading at a P/B of 0.8x on CY24 estimates.

BAHL	CY23	CY24E	CY25E	CY26E
EPS	31.8	35.0	29.8	28.4
DPS	14.0	14.5	16.0	16.0
P/E	3.3	3.0	3.5	3.7
D/Y	13.3%	13.8%	15.2%	15.2%
BVPS	113.9	130.5	154.0	175.7
P/B	0.9	0.8	0.7	0.6

Source: Company Accounts, Optimus Research

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Earnings Snapshot

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PKR MN (Stand.)	2QCY24E	2QCY24	1QCY24	4QCY23	3QCY23	2QCY23	Q/Q	Y/Y	1HCY24	1HCY23	Y/Y
Net Interest Income	35,160	37,263	36,843	38,909	34,315	26,299	1%	42%	74,106	50,924	46%
Non Interest Income	7,198	6,577	7,592	5,788	5,687	5,450	-13%	21%	14,169	11,752	21%
Fee income	4,241	5,012	4,117	3,500	3,689	3,663	22%	37%	9,130	6,682	37%
Dividends	545	563	303	438	272	529	86%	6%	866	842	3%
FX Income	2,115	976	2,488	1,547	1,481	1,116	-61%	-13%	3,464	3,814	-9%
Total Revenues	42,358	43,840	44,435	44,697	40,002	31,749	-1%	38%	88,275	62,676	41%
Total Provisions	3,423	517	6,875	5,251	76	(175)	-92%	n.m	7,392	(1,127)	n.m
Non Mark up Exp.	19,121	22,008	18,372	21,269	17,920	17,536	20%	26%	40,380	32,858	23%
Admin expense	18,716	21,516	17,825	20,615	17,433	17,242	21%	25%	39,341	32,226	22%
Profit Before Tax	19,814	21,316	19,188	18,177	22,005	14,388	11%	48%	40,504	30,945	31%
Taxation	9,709	10,240	9,177	12,141	10,809	6,840	12%	50%	19,417	12,858	51%
Profit After Tax	10,105	11,076	10,011	6,036	11,196	7,548	11%	47%	21,087	18,087	17%
EPS	9.09	9.97	9.01	5.43	10.07	6.79			18.97	16.27	
DPS	3.50	3.50	3.50	5.00	4.50	4.50			7.00	4.50	
Payout	38%	35%	39%	92%	45%	66%			37%	28%	
Effective Tax Rate	49%	48%	48%	67%	49%	48%			48%	42%	
Cost to Income	45%	50%	41%	48%	45%	55%			46%	52%	

Source: Company Accounts, Optimus Research

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