

Banks

Marketweight

BAHL PA

Price Target: PKR42/Share

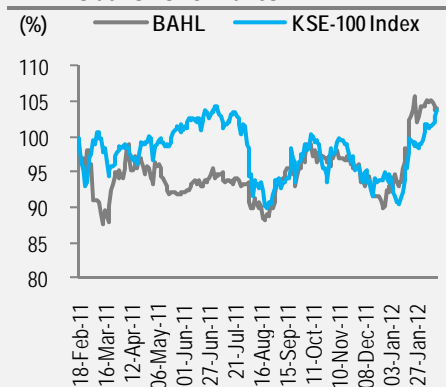
Closing Price: PKR32.1/Share

BUY

Stock Statistics

12m Price Range (PKR)	32.7 – 27.0
Market Cap (PKR mn)	28,238.1
Outstanding Shares (mn)	878.6
Avg. Daily Volume mn (YTD)	0.2

1Yr – Relative Performance



Source: Elixir Research

BAHL	CY11E	CY12E	CY13E
EPS (PKR)	4.91	5.96	6.77
DPS (PKR)	2.00	2.40	2.70
PER (x)	6.55	5.40	4.75
Div Yield	6.2%	7.5%	8.4%
P/BV (x)	1.45	1.22	1.05
ROE	24.2%	24.6%	23.8%

Source: Elixir Research

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BAHL: CY11 EPS expected at PKR4.91; PKR2/share DPS

Result Expectation: Bank Al Habib (BAHL) is scheduled to announce its CY11 earnings on Tuesday, February 21, 2011. We project the bank to post PAT of PKR4.3bn (EPS: PKR4.91); recording a YoY growth of 20%. For 4QCY11, we expect the bank to post PAT of PKR1.3bn (EPS: PKR1.53); up by 1% on a YoY basis. We also expect the bank to announce a cash dividend of PKR2.0/share along with a 20% bonus for the year.

Asset book expansion and higher NIMs driving NII growth: ADR is expected to decline to 36% from 50% last year while IDR to surge to 70% from 55% last year. Placement in high-yielding assets leading to higher NIMs (+6bps YoY) at 4.2% is anticipated to increase net interest income (NII) by a significant 30% YoY to PKR14bn during CY11.

Big slowdown in NPL accretion; however ageing to raise provisioning charges: Slowdown in credit offtake in addition to recoveries from the textile sector is expected to result in a QoQ increase of 1.7% in NPLs (or 9.5% YoY during CY11) to PKR3.2bn. We expect an ageing loan portfolio combined with excess general provisioning to result in a significantly higher (89% YoY) provisioning charge during the year.

Investment Perspective: The bank is currently trading at CY12 PBV of 1.22x and poses an upside of 31% from present levels. Therefore, we maintain a BUY stance on the stock with Dec-12 target price of PKR42/share.

Asset book expansion and higher NIMs driving NII growth

With a growing investments portfolio Bank Al Habib (BAHL) will likely see balance sheet expansion of 20% YoY during CY11E despite a 15% YoY decline in advances. Deposits are expected to remain buoyant at 20% YoY to PKR300bn from PKR250bn last year. Therefore, ADR is expected to decline to 36% from 50% last year while IDR to surge to 70% from 55% last year. Placement in high-yielding assets leading to higher NIMs (+6bps YoY) at 4.2% is anticipated to increase net interest income (NII) by a significant 30% YoY to PKR14bn during CY11.

BAHL (PKRmn)	Outstanding Shares 879mn					
	CY11E	CY10A	YoY	4QCY11E	4QCY10A	YoY
Net Interest Income	13,995	10,797	30%	3,726	3,035	23%
NII excl provisions	11,932	9,689	23%	3,476	2,774	25%
Other Income	2,508	2,130	18%	563	610	-8%
Non Interest expenses	7,589	6,162	23%	1,973	1,557	27%
PAT	4,311	3,602	20%	1,348	1,331	1%
EPS(PKR)	4.91	4.10	20%	1.53	1.51	2%

Source: Elixir Research

Big slowdown in NPL accretion; however ageing to raise provisioning charges

NPLs which saw a hefty increase of 42% during CY10 has slowed down to 8% during 9MCY11. The bank's infection ratio still stands to be the lowest at 2.9%. Slowdown in credit offtake in addition to recoveries from the textile sector is expected to result in a QoQ increase of 1.7% in NPLs (or 9.5% YoY during CY11) to PKR3.2bn. We expect an ageing loan portfolio combined with excess general provisioning to result in a significantly higher (89% YoY) provisioning charge during the year. However, with 94% of NPLs in the 'loss' category provisioning charges will see a decline in the coming year.

Growth of 18% in non-funded income and a decline in cost to income ratio to 0.46x from 0.48x in CY10 will increase CY11 PBT by 21% YoY.

Investment Perspective: Maintain a BUY

Trading at CY12E PBV of 1.22x and an upside potential of 31% to our Dec-12 PT of PKR42, we maintain a BUY on the stock.

Economic & Political News

Current Account posts major deficit in July-January 2011-12

The country's current account balance is again worsening, as high imports and slow foreign inflows resulted in USD2.6bn current account deficit, up by 27 times, during the first seven months of current fiscal year (2011-12).

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