

BAHL

1HCY22 Result Review: BUY Stance Maintained

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BAHL has announced its 1HCY22 result where it posted a profit after tax of Rs9.63bn (EPS: Rs8.66) as compared to a profit after tax of Rs9.041bn (EPS: Rs8.13) in the same period last year, up by 6.5% YoY.

The company has posted a net interest income of Rs34.18bn against Rs27.40bn in SPLY, recording a growth of 24.7% YoY. We note that this increase is attributed to the increased interest earned.

Non-interest income has increased by 66% YoY to Rs10.09bn as compared to Rs6.080bn during SPLY, mainly due to the increase in foreign exchange gain income which has grown by 196.4% YoY. Also, the effective taxation has increased to 47.7% as compared to 37% SPLY amid the imposition of supertax.

Furthermore, the operating cost to income ratio has slightly decreased to 56.1% as compared to 56.4% during SPLY. Lastly, the bank has booked a provision of Rs649mn as compared to the reversal of Rs29mn during SPLY.

BAHL is currently trading at CY22E PE of 3.42x. Furthermore, the scrip is trading at a CY22E P/B of 0.65x which offers a discount of 26% relative to its historical 3-year average of 0.88x. We recommend our investors to **BUY** the scrip with a Justified PB Jun-23 TP of Rs.80 which provides an upside potential of 35%. Furthermore, it also offers an attractive dividend yield of 12% which makes a total return of 47%.

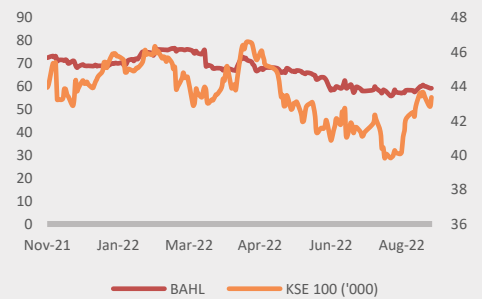
Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Interest earned	42,626	29,120	46.4% ▲	76,822	55,061	39.5% ▲
Interest expensed	-24,473	-14,827	65.1% ▲	-42,645	-27,658	54.2% ▲
Net Interest Income	18,153	14,293	27.0% ▲	34,177	27,403	24.7% ▲
Fee and commission income	2,966	2,048	44.8% ▲	5,747	4,307	33.4% ▲
Dividend income	233	150	55.6% ▲	614	246	149.7% ▲
Foreign exchange income	2,524	399	532.2% ▲	3,109	1,049	196.4% ▲
(Loss) / gain on securities	17	8	-	202	9	20105.0% ▲
Other income	194	304	36.2% ▼	421	468	10.1% ▼
Non-Interest Income	5,933	2,908	104.0% ▲	10,092	6,078	66.0% ▲
Operating expenses	-13,138	-9,550	37.6% ▲	-24,815	-18,872	31.5% ▲
Workers' Welfare Fund	-217	-151	43.1% ▲	-384	-296	29.8% ▲
Other charges	-1	-1	57.8% ▼	-1	-2	61.6% ▼
Profit Before Provisions	10,731	7,499	43.1% ▲	19,069	14,312	33.2% ▲
Provisions	-495	-217	128.5% ▲	-649	29	2159% ▲
Profit Before Taxation	10,236	7,282	40.6% ▲	18,420	14,341	28.4% ▲
Taxation	-5,569	-2,845	95.8% ▲	-8,791	-5,303	65.8% ▲
Profit After Taxation	4,666	4,438	5.2% ▲	9,629	9,038	6.5% ▲
Earnings Per Share	4.20	3.99	5.2% ▲	8.66	8.13	6.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0.00		0%	0%	
Operating Cost to Income	-54.5%	-55.5%	1.0% ▼	-56.1%	-56.4%	0.3% ▼
Effective Taxation	-54.4%	-39.1%	15.3% ▲	-47.7%	-37.0%	10.7% ▲

Source: ACPL Research, Company Financials

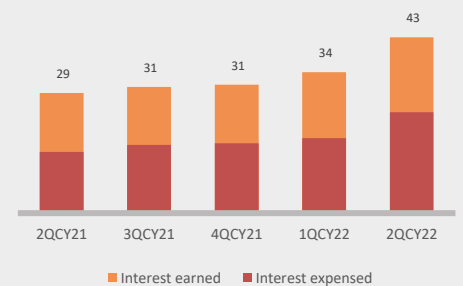
Key Statistics

Symbol	BAHL
TP - Jun 23	80
LDCP	59.23
Upside (%)	35
Free Float ('mn)	722
Market Cap. (Rs.'mn)	66,641

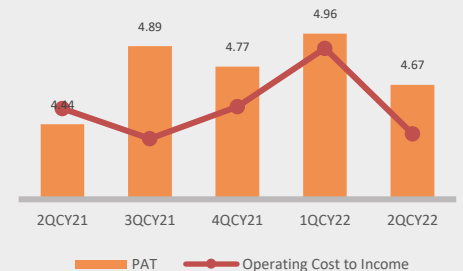
BAHL vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	2019	2020	2021	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	105,602	125,273	116,752	159,228	199,212	223,815	251,023
Mark-up / Return / Interest expensed	-64,416	-67,653	-61,143	-90,245	-116,148	-129,826	-145,146
Net Mark-up / Interest Income	41,186	57,620	55,609	68,984	83,064	93,988	105,877
Fee and commission income	6,093	6,678	9,305	11,631	14,539	18,174	22,717
Dividend income	451	486	655	1,113	1,226	1,354	1,496
Foreign exchange income	2,305	2,143	2,970	2,970	2,970	2,970	2,970
Gain on securities	-32	186	-41	115	129	144	162
Other income	664	780	1,138	1,252	1,377	1,515	1,667
Total non-markup / interest income	9,481	10,273	14,027	17,081	20,241	24,157	29,012
Non mark-up / interest expenses							
Operating expenses	-27,719	-34,040	-38,754	-47,120	-56,560	-64,684	-73,851
Workers' Welfare Fund	-448	-672	-620	-787	-944	-1,080	-1,233
Other charges	-93	-57	-36	-36	-36	-36	-36
Profit Before Provisions	22,406	33,124	30,226	38,121	45,765	52,344	59,768
Provisions / (reversal of provisions)	-3,395	-4,543	47	-1,284	-1,288	-1,443	-1,616
Profit before income tax	19,011	28,581	30,273	36,838	44,477	50,902	58,152
Income tax expense	-7,842	-10,770	-11,570	-17,580	-20,015	-22,906	-26,168
Profit for the year	11,169	17,812	18,702	19,257	24,462	27,996	31,983
EPS	10.05	16.03	16.83	17.33	22.01	25.19	28.78

Source: ACPL Research, Company Financials

Horizontal Analysis

	2019	2020	2021	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	73.9%	18.6%	-6.8%	36.4%	25.1%	12.4%	12.2%
Mark-up / Return / Interest expensed	115.9%	5.0%	-9.6%	47.6%	28.7%	11.8%	11.8%
Net Mark-up / Interest Income	33.3%	39.9%	-3.5%	24.1%	20.4%	13.2%	12.6%
Total non-markup / interest income	48.1%	9.6%	39.3%	25.0%	25.0%	25.0%	25.0%
Non mark-up / interest expenses	1.5%	7.7%	34.8%	69.9%	10.2%	10.4%	10.5%
Operating expenses	41.3%	-7.0%	38.6%	0.0%	0.0%	0.0%	0.0%
Workers' Welfare Fund	118.2%	-671.7%	-122.2%	-378.8%	12.2%	12.2%	12.2%
Other charges	-29.4%	17.5%	45.9%	10.0%	10.0%	10.0%	10.0%
Profit Before Provisions	33.2%	8.4%	36.5%	21.8%	18.5%	19.3%	20.1%
Provisions / (reversal of provisions)	19.5%	22.8%	13.8%	21.6%	20.0%	14.4%	14.2%
Profit before income tax	52.2%	49.8%	-7.7%	26.9%	20.0%	14.4%	14.2%
Income tax expense	2551.2%	-39.2%	-36.0%	0.0%	0.0%	0.0%	0.0%
Profit for the year	54.4%	47.8%	-8.8%	26.1%	20.1%	14.4%	14.2%
EPS	1273.5%	33.8%	-101.0%	-2816.1%	0.4%	12.0%	12.0%
EPS	33.3%	50.3%	5.9%	21.7%	20.7%	14.4%	14.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Yield on Earning Assets	%	8.84	8.98	6.90	8.58	9.57	9.59	9.60
Interest Cost	%	5.52	4.98	3.69	4.97	5.72	5.71	5.71
Net Interest Margin	%	3.33	4.00	3.21	3.60	3.85	3.88	3.89
Operating Cost to Income	%	55.78	51.21	56.59	55.71	55.70	55.69	55.69
Return on Equity	%	18.16	22.30	20.78	18.99	20.97	20.92	20.84
Return on Assets	%	0.86	1.17	1.01	0.95	1.08	1.11	1.13
Balance Sheet Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Deposits Growth	%	13.41	21.68	19.11	12.00	12.00	12.00	12.00
CASA to Deposits	%	74.55	76.56	76.52	76.52	76.52	76.52	76.52
Advances to Deposits	%	54.07	46.40	56.02	48.83	48.88	48.92	48.96
Investments to Deposits	%	64.86	69.56	63.11	58.66	57.72	56.89	56.14
PIBs to Investments	%	41.75	68.07	65.67	65.67	65.67	65.67	65.67
T Bills to Investments	%	50.91	18.95	15.25	15.25	15.25	15.25	15.25
Gross Infection Ratio	%	1.46	1.41	1.27	1.30	1.30	1.30	1.30
Provisioning Coverage	%	85.44	88.02	83.83	80.00	80.00	80.00	80.00
Net Infection Ratio	%	0.22	0.17	0.17	0.27	0.27	0.27	0.27
Capital Adequacy Ratio	%	14.35	15.09	13.49	13.93	14.24	14.52	14.80
Leverage Ratio	%	3.98	3.98	3.74	4.01	4.14	4.27	4.39
Operational Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Market Share - Deposits	%	6.18	6.15	6.25	6.16	6.08	6.00	5.92
Market Share - Advances	%	6.11	6.15	6.03	6.34	6.26	6.17	6.09
Market Share - Investments	%	6.66	6.62	5.85	5.40	5.24	5.10	4.96
No. of Branches		759	818	956	1117	1306	1526	1784
Investment Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Dividend Per Share		3.50	4.50	7.00	7.00	9.00	10.50	12.00
Dividend Yield	%	5.91	7.60	11.82	11.82	15.20	17.73	20.26
Dividend Cover	x	2.87	3.56	2.40	2.48	2.45	2.40	2.40
Retention Ratio	%	65.17	71.92	58.40	58.40	58.40	58.40	58.40
Payout Ratio	%	34.83	28.08	41.60	41.60	41.60	41.60	41.60
No. of Shares	('m)	1111	1111	1111	1111	1111	1111	1111
Earnings Per Share		10.05	16.03	16.83	17.33	22.01	25.19	28.78
Book Value Per Share		55.34	71.85	80.99	91.24	104.95	120.42	138.07
Price to Earnings	x	5.89	3.70	3.52	3.42	2.69	2.35	2.06
Price to Book Value	x	1.07	0.82	0.73	0.65	0.56	0.49	0.43

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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