

BAHL

1QCY21 Result Review: BUY Stance Maintained

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BAHL has announced its 1QCY21 result where it posted profit after tax of Rs4.6bn (EPS: Rs4.14) as compared to profit after tax of Rs2.9bn (EPS: Rs2.57) in same period last year, up by 60.9% YoY.

The company has posted the net interest income of Rs13.1bn against Rs11.3bn in SPLY, recording a growth of 16.5% YoY. We note that this growth is attributed to the growth in bank's deposits and expanded NIM on account of high CASA.

Non-interest income has increased by 38.5% YoY to Rs3.2bn as compared to Rs2.3bn during SPLY, mainly due to the increase in fee and commission income which has grown by 38.2% YoY.

Furthermore, the management has been able to restrict its operating cost to income ratio at 57.3% as compared to 61.3% during SPLY.

Lastly, the bank has booked a reversal of Rs245mn as compared to provision of Rs342mn during SPLY.

BAHL is currently trading at CY21E PE of 4.32x. Furthermore, the scrip is trading at a CY21E P/B of 0.78x which offers a discount of 43% relative to its historical 5-year average of 1.36x. We recommend our investors to **BUY** the scrip with a Residual Income based Dec-21 TP of Rs.90 which provides an upside potential of 38%. Furthermore, it also offers an attractive dividend yield of 8% which makes the total return of 46%.

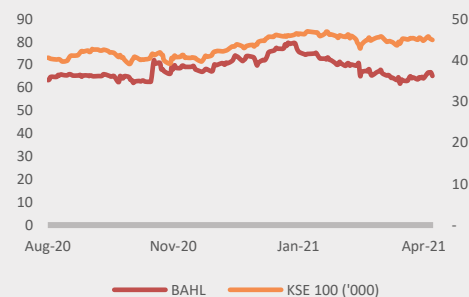
Rupees' millions	1QCY21	1QCY20	YoY	CY20	CY19	YoY
Interest earned	25,941	32,374	19.9% ▼	125,273	105,602	18.6% ▲
Interest expensed	-12,831	-21,117	39.2% ▼	-67,653	-64,416	5.0% ▲
Net Interest Income	13,110	11,257	16.5% ▲	57,620	41,186	39.9% ▲
Fee and commission income	2,259	1,635	38.2% ▲	6,678	6,093	9.6% ▲
Dividend income	96	77	25.5% ▲	486	451	7.7% ▲
Foreign exchange income	650	374	73.6% ▲	2,143	2,305	7.0% ▼
(Loss) / gain on securities	1	0	3664.7% ▲	186	-32	18662.2% ▲
Other income	164	204	19.6% ▼	780	664	17.5% ▲
Non-Interest Income	3,170	2,290	38.5% ▲	10,273	9,481	8.4% ▲
Operating expenses	-9,322	-8,304	12.2% ▲	-34,040	-27,719	22.8% ▲
Workers' Welfare Fund	-144	-109	31.8% ▲	-672	-448	49.8% ▲
Other charges	-1	0	215.7% ▲	-57	-93	39.2% ▼
Profit Before Provisions	6,813	5,132	32.8% ▲	33,124	22,406	47.8% ▲
Provisions	245	-342	171.8% ▼	-4,543	-3,395	33.8% ▲
Profit Before Taxation	7,059	4,790	47.4% ▲	28,581	19,011	50.3% ▲
Taxation	-2,458	-1,931	27.3% ▲	-10,770	-7,842	37.3% ▲
Profit After Taxation	4,601	2,859	60.9% ▲	17,812	11,169	59.5% ▲
Earnings Per Share	4.14	2.57	60.9% ▲	16.03	10.05	59.5% ▲
Dividend	0.00	0.00		4.50	3.50	
Bonus	0%	0%		0%	0%	
Operating Cost to Income	-57.3%	-61.3%	4.0% ▼	-50.1%	-54.7%	4.6% ▼
Effective Taxation	-34.8%	-40.3%	5.5% ▼	-37.7%	-41.3%	3.6% ▼

Source: ACPL Research, Company Financials

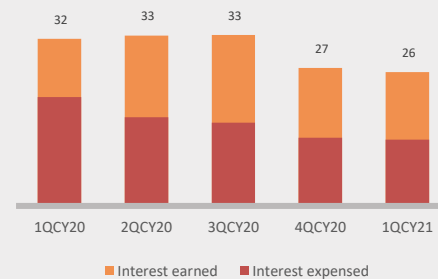
Key Statistics

Symbol	BAHL
TP - Dec 21	90
LDGP	65
Upside (%)	38
Free Float ('mn)	722
Market Cap. (Rs.'mn)	72,243

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	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Mark-up / Return / Interest earned	50,293	47,804	50,309	60,733	105,602	125,273	107,527	124,201	142,434
Mark-up / Return / Interest expensed	-25,476	-23,133	-24,387	-29,839	-64,416	-67,653	-51,080	-58,517	-67,070
Net Mark-up / Interest Income	24,817	24,672	25,923	30,894	41,186	57,620	56,447	65,684	75,364
Fee and commission income	2,287	2,521	3,153	4,115	6,093	6,678	9,016	9,917	10,909
Dividend income	602	592	448	445	451	486	371	414	464
Foreign exchange income	707	491	914	1,632	2,305	2,143	2,143	2,143	2,143
Gain on securities	217	719	2,739	-15	-32	186	212	242	276
Other income	697	729	864	940	664	780	780	780	780
Total non-markup / interest income	4,511	5,052	8,118	7,117	9,481	10,273	12,521	13,496	14,572
Non mark-up / interest expenses									
Operating expenses	-14,695	-17,728	-19,779	-23,202	-27,719	-34,040	-43,450	-49,883	-56,660
Workers' Welfare Fund	0	0	-287	-295	-448	-672	-638	-732	-832
Other charges	-302	492	-36	-4	-93	-57	-3	-3	-3
Profit Before Provisions	14,330	12,488	13,939	14,511	22,406	33,124	24,877	28,561	32,441
Provisions / (reversal of provisions)	-1,999	676	-49	-247	-3,395	-4,543	793	-1,267	-1,457
Profit before income tax	12,332	13,164	13,890	14,264	19,011	28,581	25,670	27,294	30,984
Income tax expense	-4,927	-5,045	-5,389	-5,846	-7,842	-10,770	-8,939	-9,553	-10,844
Profit for the year	7,405	8,119	8,501	8,418	11,169	17,812	16,731	17,741	20,140
EPS	6.66	7.31	7.65	7.57	10.05	16.03	15.05	15.96	18.12

Source: ACPL Research, Company Financials

Horizontal Analysis

	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Mark-up / Return / Interest earned	14.30%	-4.95%	5.24%	20.72%	73.88%	18.63%	-14.17%	15.51%	14.68%
Mark-up / Return / Interest expensed	2.16%	-9.20%	5.42%	22.36%	115.87%	5.03%	-24.50%	14.56%	14.62%
Net Mark-up / Interest Income	30.17%	-0.59%	5.07%	19.18%	33.32%	39.90%	-2.04%	16.36%	14.74%
Fee and commission income	17.23%	10.26%	25.04%	30.53%	48.06%	9.60%	35.00%	10.00%	10.00%
Dividend income	65.02%	-1.70%	-24.23%	-0.81%	1.48%	7.74%	-23.66%	11.69%	12.04%
Foreign exchange income	-17.20%	-30.59%	86.13%	78.56%	41.25%	-7.05%	0.00%	0.00%	0.00%
Gain on securities	73795.92%	230.88%	281.07%	-100.54%	118.25%	-671.69%	14.01%	14.13%	14.24%
Other income	9.40%	4.57%	18.48%	8.82%	-29.40%	17.52%	0.00%	0.00%	0.00%
Total non-markup / interest income	18.47%	12.00%	60.69%	-12.33%	33.21%	8.35%	21.89%	7.79%	7.97%
Non mark-up / interest expenses									
Operating expenses	20.6%	20.6%	11.6%	17.3%	19.5%	22.8%	27.6%	14.8%	13.6%
Workers' Welfare Fund	0.0%	0.0%	0.0%	2.8%	52.2%	49.8%	-5.0%	14.8%	13.6%
Other charges	49.0%	-263.0%	-107.4%	-90.4%	2551.2%	-39.2%	-94.5%	0.0%	0.0%
Profit Before Provisions	36.7%	-12.9%	11.6%	4.1%	54.4%	47.8%	-24.9%	14.8%	13.6%
Provisions / (reversal of provisions)	255.5%	-133.8%	-107.2%	409.2%	1273.5%	33.8%	-117.5%	-259.8%	15.0%
Profit before income tax	24.3%	6.7%	5.5%	2.7%	33.3%	50.3%	-10.2%	6.3%	13.5%
Income tax expense	38.07%	2.40%	6.83%	8.47%	34.15%	37.33%	-17.00%	6.87%	13.52%
Profit for the year	16.63%	9.65%	4.70%	-0.98%	32.68%	59.48%	-6.07%	6.04%	13.52%
EPS	16.63%	9.65%	4.70%	-0.98%	32.68%	59.48%	-6.07%	6.04%	13.52%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Yield on Earning Assets	%	8.39	6.74	5.76	6.25	8.84	8.98	6.71	6.75	6.74
Interest Cost	%	4.31	3.32	2.85	3.14	5.52	4.98	3.28	3.27	3.26
Net Interest Margin	%	4.07	3.41	2.91	3.11	3.33	4.00	3.43	3.48	3.48
Operating Cost to Income	%	51.14	57.99	59.05	61.82	55.78	51.21	63.93	63.93	63.93
Return on Equity	%	19.56	19.10	18.53	16.99	18.16	22.30	18.09	16.86	16.86
Return on Assets	%	1.16	1.08	0.90	0.80	0.86	1.17	0.96	0.88	0.87
Balance Sheet Analysis		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Deposits Growth	%	15.64	13.16	18.56	15.06	13.41	21.68	15.00	15.00	15.00
CASA to Deposits	%	74.28	77.59	75.55	74.99	74.55	76.56	76.56	76.56	76.56
Advances to Deposits	%	40.16	44.75	49.07	60.01	54.07	46.40	46.64	46.71	46.76
Investments to Deposits	%	69.09	69.33	68.75	52.03	64.86	69.56	67.27	65.34	63.65
PIBs to Investments	%	54.96	35.81	24.56	19.90	41.75	68.07	68.07	68.07	68.07
T Bills to Investments	%	39.20	58.08	70.20	72.55	50.91	18.95	18.95	18.95	18.95
Gross Infection Ratio	%	2.72	2.12	1.52	1.08	1.46	1.41	1.00	1.00	1.00
Provisioning Coverage	%	94.26	85.42	83.19	83.12	85.44	88.02	88.02	88.02	88.02
Net Infection Ratio	%	0.16	0.32	0.26	0.18	0.22	0.17	0.12	0.12	0.12
Capital Adequacy Ratio	%	13.75	14.18	13.81	13.43	14.35	15.09	15.21	15.10	14.97
Leverage Ratio	%	0.00	3.60	4.26	4.07	3.98	3.98	4.06	4.05	4.03
Operational Analysis		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Market Share - Deposits	%	5.55	5.21	5.60	5.97	6.18	6.15	6.26	6.37	6.48
Market Share - Advances	%	4.51	4.83	5.32	6.16	6.11	6.15	6.26	6.37	6.48
Market Share - Investments	%	5.23	5.52	5.56	5.50	6.66	6.62	6.52	6.44	6.38
No. of Branches		528	605	650	721	759	818	882	950	1024
Investment Ratios		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Dividend Per Share		3.50	3.50	3.00	2.50	3.50	4.50	5.00	6.00	7.00
Dividend Yield	%	5.38	5.38	4.62	3.85	5.38	6.92	7.69	9.23	10.77
Dividend Cover	x	1.90	2.09	2.55	3.03	2.87	3.56	3.01	2.66	2.59
Retention Ratio	%	47.47	52.09	60.78	66.99	65.17	71.92	66.79	62.41	61.37
Payout Ratio	%	52.53	47.91	39.22	33.01	34.83	28.08	33.21	37.59	38.63
No. of Shares	('m)	1111	1111	1111	1111	1111	1111	1111	1111	1111
Earnings Per Share		6.66	7.31	7.65	7.57	10.05	16.03	15.05	15.96	18.12
Book Value Per Share		34.06	38.25	41.28	44.58	55.34	71.85	83.20	94.65	107.49
Price to Earnings	x	9.76	8.90	8.50	8.58	6.47	4.06	4.32	4.07	3.59
Price to Book Value	x	1.91	1.70	1.57	1.46	1.17	0.90	0.78	0.69	0.60

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
- IV. Sum of Parts Valuation

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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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