

# BAHL

## 1QCY22 Result Review: BUY Stance Maintained

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BAHL has announced its 1QCY22 result where it posted a profit after tax of Rs4.963bn (EPS: Rs4.47) as compared to a profit after tax of Rs4.601bn (EPS: Rs4.14) in the same period last year, up by 7.9% YoY.

The company has posted a net interest income of Rs16.024bn against Rs13.110bn in SPLY, recording a growth of 22.2% YoY. We note that this increase is attributed to the increased interest earned.

Non-interest income has increased by 31.2% YoY to Rs4.159bn as compared to Rs3.170bn during SPLY, mainly due to the increase in fee and commission income which has grown by 23.1% YoY.

Furthermore, the operating cost to income ratio has slightly increased to 57.9% as compared to 57.3% during SPLY.

Lastly, the bank has booked a provision of Rs154mn as compared to the reversal of Rs245mn during SPLY.

BAHL is currently trading at CY22E PE of 3.34x. Furthermore, the scrip is trading at a CY22E P/B of 0.74x which offers a discount of 28% relative to its historical 3-year average of 1.03x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-22 TP of Rs.100 which provides an upside potential of 44%. Furthermore, it also offers an attractive dividend yield of 12% which makes a total return of 56%.

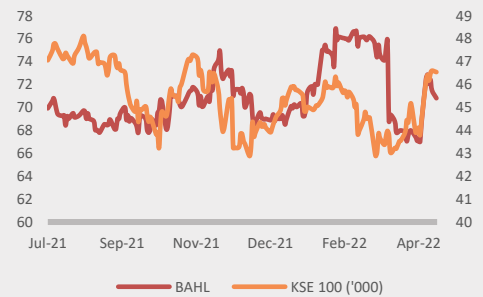
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Interest earned	34,196	25,941	31.8% ▲	116,752	125,273	6.8% ▼
Interest expensed	-18,172	-12,831	41.6% ▲	-61,143	-67,653	9.6% ▼
<b>Net Interest Income</b>	<b>16,024</b>	<b>13,110</b>	<b>22.2% ▲</b>	<b>55,609</b>	<b>57,620</b>	<b>3.5% ▼</b>
Fee and commission income	2,781	2,259	23.1% ▲	9,305	6,678	39.3% ▲
Dividend income	381	96	296.2% ▲	655	486	34.8% ▲
Foreign exchange income	585	650	10.0% ▼	2,970	2,143	38.6% ▲
(Loss) / gain on securities	186	1	-	-41	186	4214.6% ▼
Other income	227	164	38.3% ▲	1,138	780	45.9% ▲
<b>Non-Interest Income</b>	<b>4,159</b>	<b>3,170</b>	<b>31.2% ▲</b>	<b>14,027</b>	<b>10,273</b>	<b>36.5% ▲</b>
Operating expenses	-11,677	-9,322	25.3% ▲	-38,754	-34,040	13.8% ▲
Workers' Welfare Fund	-167	-144	16.0% ▲	-620	-672	7.7% ▼
Other charges	0	-1	67.9% ▼	-36	-57	36.0% ▼
Profit Before Provisions	8,338	6,813	22.4% ▲	30,226	33,124	8.8% ▼
Provisions	-154	245	162.7% ▼	47	-4,543	101.0% ▼
Profit Before Taxation	8,185	7,059	16.0% ▲	30,273	28,581	5.9% ▲
Taxation	-3,222	-2,458	31.1% ▲	-11,570	-10,770	7.4% ▲
<b>Profit After Taxation</b>	<b>4,963</b>	<b>4,601</b>	<b>7.9% ▲</b>	<b>18,702</b>	<b>17,812</b>	<b>5.0% ▲</b>
<b>Earnings Per Share</b>	<b>4.47</b>	<b>4.14</b>	<b>7.9% ▲</b>	<b>16.83</b>	<b>16.03</b>	<b>5.0% ▲</b>
<b>Dividend</b>	<b>0.00</b>	<b>0.00</b>		<b>7.00</b>	<b>4.50</b>	<b>55.6% ▲</b>
<b>Bonus</b>	<b>0%</b>	<b>0.00</b>		<b>0%</b>	<b>0%</b>	
Operating Cost to Income	-57.9%	-57.3%	0.6% ▲	-55.7%	-50.1%	5.5% ▲
Effective Taxation	-39.4%	-34.8%	4.5% ▲	-38.2%	-37.7%	0.5% ▲

Source: ACPL Research, Company Financials

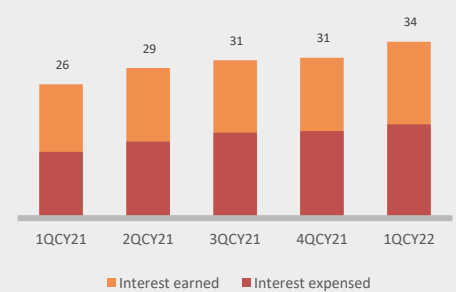
### Key Statistics

Symbol	BAHL
TP - Dec 22	100
LDCP	69.5
Upside (%)	44
Free Float ('mn)	722
Market Cap. (Rs.'mn)	77,388

### 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	163,681	204,909	236,404	272,242
Mark-up / Return / Interest expensed	-64,416	-67,653	-61,143	-96,234	-115,079	-132,028	-151,521
<b>Net Mark-up / Interest Income</b>	<b>41,186</b>	<b>57,620</b>	<b>55,609</b>	<b>67,447</b>	<b>89,831</b>	<b>104,376</b>	<b>120,721</b>
Fee and commission income	6,093	6,678	9,305	11,631	14,539	18,174	22,717
Dividend income	451	486	655	1,198	1,353	1,531	1,736
Foreign exchange income	2,305	2,143	2,970	2,970	2,970	2,970	2,970
Gain on securities	-32	186	-41	117	135	156	179
Other income	664	780	1,138	1,252	1,377	1,515	1,667
<b>Total non-markup / interest income</b>	<b>9,481</b>	<b>10,273</b>	<b>14,027</b>	<b>17,168</b>	<b>20,374</b>	<b>24,345</b>	<b>29,268</b>
<b>Non mark-up / interest expenses</b>							
Operating expenses	-27,719	-34,040	-38,754	-46,327	-60,337	-70,475	-82,119
Workers' Welfare Fund	-448	-672	-620	-773	-1,007	-1,177	-1,371
Other charges	-93	-57	-36	-36	-36	-36	-36
<b>Profit Before Provisions</b>	<b>22,406</b>	<b>33,124</b>	<b>30,226</b>	<b>37,479</b>	<b>48,824</b>	<b>57,033</b>	<b>66,463</b>
Provisions / (reversal of provisions)	-3,395	-4,543	47	-1,893	-1,702	-1,957	-2,250
<b>Profit before income tax</b>	<b>19,011</b>	<b>28,581</b>	<b>30,273</b>	<b>35,586</b>	<b>47,122</b>	<b>55,076</b>	<b>64,212</b>
Income tax expense	-7,842	-10,770	-11,570	-12,455	-16,493	-19,277	-22,474
<b>Profit for the year</b>	<b>11,169</b>	<b>17,812</b>	<b>18,702</b>	<b>23,131</b>	<b>30,630</b>	<b>35,800</b>	<b>41,738</b>
<b>EPS</b>	<b>10.05</b>	<b>16.03</b>	<b>16.83</b>	<b>20.81</b>	<b>27.56</b>	<b>32.21</b>	<b>37.55</b>

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%	40.2%	25.2%	15.4%	15.2%
Mark-up / Return / Interest expensed	115.9%	5.0%	-9.6%	57.4%	19.6%	14.7%	14.8%
<b>Net Mark-up / Interest Income</b>	<b>33.3%</b>	<b>39.9%</b>	<b>-3.5%</b>	<b>21.3%</b>	<b>33.2%</b>	<b>16.2%</b>	<b>15.7%</b>
<b>Total non-markup / interest income</b>	<b>33.2%</b>	<b>8.4%</b>	<b>36.5%</b>	<b>22.4%</b>	<b>18.7%</b>	<b>19.5%</b>	<b>20.2%</b>
<b>Non mark-up / interest expenses</b>							
Operating expenses	19.5%	22.8%	13.8%	19.5%	30.2%	16.8%	16.5%
Workers' Welfare Fund	52.2%	49.8%	-7.7%	24.7%	30.2%	16.8%	16.5%
Other charges	2551.2%	-39.2%	-36.0%	0.0%	0.0%	0.0%	0.0%
<b>Profit Before Provisions</b>	<b>54.4%</b>	<b>47.8%</b>	<b>-8.8%</b>	<b>24.0%</b>	<b>30.3%</b>	<b>16.8%</b>	<b>16.5%</b>
Provisions / (reversal of provisions)	1273.5%	33.8%	-101.0%	-4104.7%	-10.1%	15.0%	15.0%
<b>Profit before income tax</b>	<b>33.3%</b>	<b>50.3%</b>	<b>5.9%</b>	<b>17.6%</b>	<b>32.4%</b>	<b>16.9%</b>	<b>16.6%</b>
Income tax expense	34.1%	37.3%	7.4%	7.6%	32.4%	16.9%	16.6%
<b>Profit for the year</b>	<b>32.7%</b>	<b>59.5%</b>	<b>5.0%</b>	<b>23.7%</b>	<b>32.4%</b>	<b>16.9%</b>	<b>16.6%</b>
<b>EPS</b>	<b>32.7%</b>	<b>59.5%</b>	<b>5.0%</b>	<b>23.7%</b>	<b>32.4%</b>	<b>16.9%</b>	<b>16.6%</b>

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	8.59	9.34	9.37	9.37
Interest Cost	%	5.52	4.98	3.69	5.16	5.38	5.37	5.36
Net Interest Margin	%	3.33	4.00	3.21	3.43	3.97	4.00	4.01
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	22.30	24.87	24.58	24.27
Return on Assets	%	0.86	1.17	1.01	1.12	1.29	1.31	1.32
<b>Balance Sheet Analysis</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Deposits Growth	%	13.41	21.68	19.11	15.00	15.00	15.00	15.00
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	45.74	45.80	45.85	45.89
Investments to Deposits	%	64.86	69.56	63.11	61.50	60.39	59.43	58.59
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	1.35	1.35	1.35	1.35
Provisioning Coverage	%	85.44	88.02	83.83	83.83	83.83	83.83	83.83
Net Infection Ratio	%	0.22	0.17	0.17	0.22	0.22	0.22	0.22
Capital Adequacy Ratio	%	14.35	15.09	13.49	13.90	14.26	14.59	14.91
Leverage Ratio	%	3.98	3.98	3.74	4.00	4.16	4.31	4.45
<b>Operational Analysis</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Market Share - Deposits	%	6.18	6.15	6.25	6.33	6.41	6.50	6.58
Market Share - Advances	%	6.11	6.15	6.03	6.11	6.19	6.27	6.35
Market Share - Investments	%	6.66	6.62	5.85	5.81	5.78	5.76	5.76
No. of Branches		759	818	956	1117	1306	1526	1784
<b>Investment Ratios</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Dividend Per Share		3.50	4.50	7.00	8.50	11.00	13.00	15.00
Dividend Yield	%	5.04	6.47	10.07	12.23	15.83	18.71	21.58
Dividend Cover	x	2.87	3.56	2.40	2.45	2.51	2.48	2.50
Retention Ratio	%	65.17	71.92	71.92	60.00	60.00	60.00	60.00
Payout Ratio	%	34.83	28.08	28.08	40.00	40.00	40.00	40.00
No. of Shares	('m)	1111	1111	1111	1111	1111	1111	1111
Earnings Per Share		10.05	16.03	16.83	20.81	27.56	32.21	37.55
Book Value Per Share		55.34	71.85	80.99	93.35	110.79	131.03	154.76
Price to Earnings	x	6.92	4.34	4.13	3.34	2.52	2.16	1.85
Price to Book Value	x	1.26	0.97	0.86	0.74	0.63	0.53	0.45

Source: ACPL Research, Company Financials

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

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- 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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