

BAHL

9M CY22 Result Review: BUY Stance Maintained

Equity Research | Commercial Banks | Friday, 28 October, 2022



BAHL has announced its 9M CY22 result where it posted a profit after tax of Rs14.97bn (EPS: Rs13.47) as compared to a profit after tax of Rs13.93bn (EPS: Rs12.53) in the same period last year, up by 7.5% YoY amid higher policy rate.

The Bank has posted a net interest income of Rs54.34bn against Rs41.34bn in SPLY, recording a growth of 31.4% YoY. We note that this increase is attributed to the increased interest earned.

Non-interest income has increased by 67.1% YoY to Rs16.11bn as compared to Rs9.64bn during SPLY, mainly due to the increase in foreign exchange gain income which has grown by 200% YoY. Also, the effective taxation has increased to 48.1% as compared to 37.6% SPLY amid the imposition of supertax.

Furthermore, the operating cost to income ratio has slightly decreased to 54.7% as compared to 55.6% during SPLY. Lastly, the bank has booked a provision of Rs2.44bn as compared to the reversal of Rs133mn during SPLY.

BAHL is currently trading at CY23E PE of 2.45x. Furthermore, the scrip is trading at a CY23E P/B of 0.51x which offers a discount of 23% relative to its historical 3-year average of 0.66x. We recommend our investors to **BUY** the scrip with a Justified PB Jun-23 TP of Rs.80 which provides an upside potential of 50%. Furthermore, it also offers an attractive dividend yield of 16% which makes a total return of 66%.

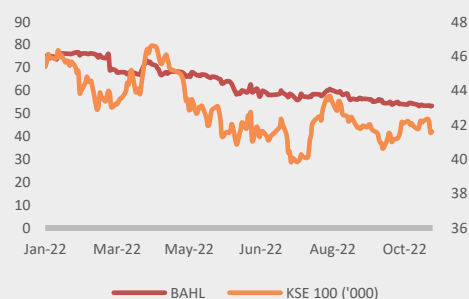
Rupees' millions	3QCY22	3QCY21	YoY	9M CY22	9M CY21	YoY
Interest earned	56,359	30,591	84.2% ▲	133,181	85,653	55.5% ▲
Interest expensed	-35,954	-16,630	116.2% ▲	-78,839	-44,311	77.9% ▲
Net Interest Income	20,406	13,961	46.2% ▲	54,342	41,341	31.4% ▲
Fee and commission income	2,870	2,295	25.1% ▲	8,617	6,602	30.5% ▲
Dividend income	358	254	41.2% ▲	972	499	94.6% ▲
Foreign exchange income	2,581	848	204.3% ▲	5,689	1,897	199.9% ▲
(Loss) / gain on securities	9	-8	-	211	0	21031.2% ▲
Other income	199	172	15.9% ▲	620	639	3.1% ▼
Non-Interest Income	6,017	3,560	69.0% ▲	16,109	9,638	67.1% ▲
Operating expenses	-13,957	-9,496	47.0% ▲	-38,532	-28,345	35.9% ▲
Workers' Welfare Fund	-223	-162	38.0% ▲	-607	-457	32.7% ▲
Other charges	-4	-1	271.1% ▲	-5	-3	47.8% ▲
Profit Before Provisions	12,239	7,862	55.7% ▲	31,308	22,174	41.2% ▲
Provisions	-1,795	105	1816.2% ▼	-2,444	133	1733.3% ▲
Profit Before Taxation	10,443	7,967	31.1% ▲	28,864	22,307	29.4% ▲
Taxation	-5,104	-3,075	66.0% ▲	-13,895	-8,378	65.9% ▲
Profit After Taxation	5,339	4,891	9.2% ▲	14,969	13,930	7.5% ▲
Earnings Per Share	4.80	4.40	9.2% ▲	13.47	12.53	7.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0.00		0%	0%	
Operating Cost to Income	-52.8%	-54.2%	1.4% ▼	-54.7%	-55.6%	0.9% ▼
Effective Taxation	-48.9%	-38.6%	10.3% ▲	-48.1%	-37.6%	10.6% ▲

Source: ACPL Research, Company Financials

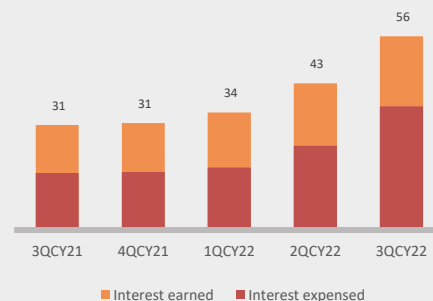
Key Statistics

Symbol	BAHL
TP - Jun 23	80
LDCP	53.28
Upside (%)	50
Free Float ('mn)	722
Market Cap. (Rs.'mn)	59,839

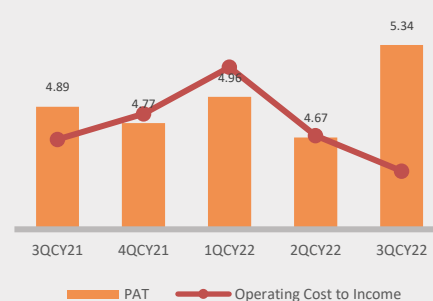
BAHL vs KSE 100



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	2020	2021	2022E	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	125,273	116,752	178,012	229,796	243,835	257,272	287,647
Mark-up / Return / Interest expensed	-67,653	-61,143	-105,940	-143,911	-148,454	-152,091	-170,073
Net Mark-up / Interest Income	57,620	55,609	72,072	85,885	95,381	105,181	117,574
Fee and commission income	6,678	9,305	11,491	14,192	17,527	21,646	26,733
Dividend income	486	655	1,301	1,093	1,206	1,333	1,476
Foreign exchange income	2,143	2,970	7,425	2,262	2,262	2,262	2,262
Gain on securities	186	-41	254	60	67	75	84
Other income	780	1,138	854	884	916	948	982
Total non-markup / interest income	10,273	14,027	21,325	18,491	21,978	26,265	31,537
Non mark-up / interest expenses							
Operating expenses	-34,040	-38,754	-51,368	-57,980	-65,192	-73,017	-82,830
Workers' Welfare Fund	-672	-620	-834	-921	-1,035	-1,159	-1,315
Other charges	-57	-36	-36	-36	-36	-36	-36
Profit Before Provisions	33,124	30,226	41,158	45,439	51,096	57,233	64,930
Provisions / (reversal of provisions)	-4,543	47	-3,322	-1,529	-1,712	-1,918	-2,148
Profit before income tax	28,581	30,273	37,836	43,910	49,383	55,315	62,782
Income tax expense	-10,770	-11,570	-18,214	-19,760	-22,222	-24,892	-28,252
Profit for the year	17,812	18,702	19,622	24,151	27,161	30,424	34,530
EPS	16.03	16.83	17.65	21.73	24.44	27.37	31.07

Source: ACPL Research, Company Financials

Horizontal Analysis

	2020	2021	2022E	2023E	2024E	2025E	2025E
Mark-up / Return / Interest earned	18.6%	-6.8%	52.5%	29.1%	6.1%	5.5%	11.8%
Mark-up / Return / Interest expensed	5.0%	-9.6%	73.3%	35.8%	3.2%	2.4%	11.8%
Net Mark-up / Interest Income	39.9%	-3.5%	29.6%	19.2%	11.1%	10.3%	11.8%
Total non-markup / interest income	9.6%	39.3%	23.5%	23.5%	23.5%	23.5%	23.5%
Non mark-up / interest expenses	7.7%	34.8%	98.5%	-16.0%	10.4%	10.5%	10.7%
Operating expenses	-671.7%	-122.2%	-718.1%	-76.6%	12.2%	12.2%	12.1%
Workers' Welfare Fund	17.5%	45.9%	-25.0%	3.6%	3.6%	3.6%	3.6%
Other charges	8.4%	36.5%	52.0%	-13.3%	18.9%	19.5%	20.1%
Profit Before Provisions							
Provisions / (reversal of provisions)	22.8%	13.8%	32.5%	12.9%	12.4%	12.0%	13.4%
Profit before income tax	49.8%	-7.7%	34.5%	10.4%	12.4%	12.0%	13.4%
Income tax expense	-39.2%	-36.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit for the year	47.8%	-8.8%	36.2%	10.4%	12.4%	12.0%	13.4%
EPS	50.3%	5.9%	25.0%	16.1%	12.5%	12.0%	13.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2020	2021	2022E	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	8.98	6.90	9.59	11.04	10.46	9.85	9.84
Interest Cost	%	4.98	3.69	5.84	7.09	6.53	5.98	5.97
Net Interest Margin	%	4.00	3.21	3.75	3.96	3.92	3.87	3.87
Operating Cost to Income	%	51.21	56.59	55.93	56.47	56.46	56.46	56.46
Return on Equity	%	22.30	20.78	19.39	20.80	20.41	20.06	20.59
Return on Assets	%	1.17	1.01	0.97	1.07	1.07	1.07	1.09
Balance Sheet Analysis		2020	2021	2022E	2023E	2024E	2025E	2026E
Deposits Growth	%	21.68	19.11	12.00	12.00	12.00	12.00	12.00
CASA to Deposits	%	76.56	76.52	76.52	76.52	76.52	76.52	76.52
Advances to Deposits	%	46.40	56.02	48.70	48.75	48.80	48.83	48.87
Investments to Deposits	%	69.56	63.11	58.64	57.71	56.87	56.13	55.46
PIBs to Investments	%	68.07	65.67	65.67	65.67	65.67	65.67	65.67
T Bills to Investments	%	18.95	15.25	15.25	15.25	15.25	15.25	15.25
Gross Infection Ratio	%	1.41	1.27	1.43	1.43	1.43	1.43	1.43
Provisioning Coverage	%	88.02	83.83	90.00	90.00	90.00	90.00	90.00
Net Infection Ratio	%	0.17	0.17	0.15	0.15	0.15	0.15	0.15
Capital Adequacy Ratio	%	15.09	13.49	13.91	14.19	14.45	14.66	14.52
Leverage Ratio	%	3.98	3.74	4.00	4.13	4.25	4.34	4.30
Operational Analysis		2020	2021	2022E	2023E	2024E	2025E	2026E
Market Share - Deposits	%	6.15	6.25	6.16	6.08	6.00	5.92	5.84
Market Share - Advances	%	6.15	6.03	6.34	6.26	6.17	6.09	6.01
Market Share - Investments	%	6.62	5.85	5.40	5.24	5.10	4.96	4.84
No. of Branches		818	956	1117	1306	1526	1784	2084
Investment Ratios		2020	2021	2022E	2023E	2024E	2025E	2026E
Dividend Per Share		4.50	7.00	7.50	9.00	10.00	11.50	13.00
Dividend Yield	%	8.45	13.14	14.08	16.89	18.77	21.58	24.40
Dividend Cover	x	3.56	2.40	2.35	2.41	2.44	2.38	2.39
Retention Ratio	%	71.92	58.40	58.40	58.40	58.40	58.40	58.40
Payout Ratio	%	28.08	41.60	41.60	41.60	41.60	41.60	41.60
No. of Shares	('m)	1111	1111	1111	1111	1111	1111	1111
Earnings Per Share		16.03	16.83	17.65	21.73	24.44	27.37	31.07
Book Value Per Share		71.85	80.99	91.07	104.49	119.71	136.46	150.91
Price to Earnings	x	3.32	3.17	3.02	2.45	2.18	1.95	1.71
Price to Book Value	x	0.74	0.66	0.59	0.51	0.45	0.39	0.35

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
Underweight	Negative

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