

BAHL

9M CY21 Result Review: BUY Stance Maintained

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BAHL has announced its 9M CY21 result where it posted a profit after tax of Rs13.9bn (EPS: Rs12.53) as compared to profit after tax of Rs13.14bn (EPS: Rs11.82) in the same period last year, up by 6.1% YoY.

The company has posted a net interest income of Rs41bn against Rs44bn in SPLY, recording a negative growth of 6% YoY. We note that this decline is attributed to the decrease in interest earned.

Non-interest income has increased by 36% YoY to Rs9.6bn as compared to Rs7.08bn during SPLY, mainly due to the increase in fee and commission income which has grown by 39% YoY.

Furthermore, the operating cost to income ratio has been increased to 55.7% as compared to 49% during SPLY.

Lastly, the bank has booked a reversal of Rs133mn as compared to the hefty provision of Rs3.4bn during SPLY.

BAHL is currently trading at CY21E PE of 4.18x. Furthermore, the scrip is trading at a CY21E P/B of 0.83x which offers a discount of 27% relative to its historical 2-year average of 1.13x. We recommend our investors to **BUY** the scrip with a Justified PBJun-22 TP of Rs.100 which provides an upside potential of 42%. Furthermore, it also offers an attractive dividend yield of 7% which makes the total return of 49%.

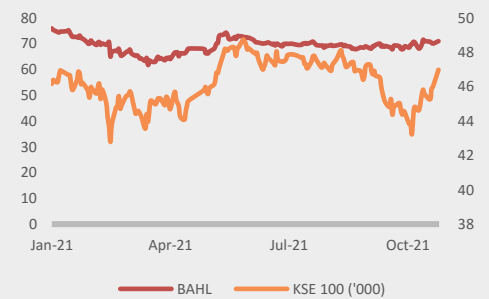
Rupees' millions	3QCY21	3QCY20	YoY	9M CY21	9M CY20	YoY
Interest earned	30,591	33,158	7.7% ▼	85,653	98,532	13.1% ▼
Interest expensed	-16,572	-16,146	2.6% ▲	-44,231	-54,450	18.8% ▼
Net Interest Income	14,019	17,011	17.6% ▼	41,422	44,081	6.0% ▼
Fee and commission income	2,295	1,713	34.0% ▲	6,602	4,738	39.3% ▲
Dividend income	254	193	31.2% ▲	499	389	28.4% ▲
Foreign exchange income	848	588	44.2% ▲	1,897	1,399	35.6% ▲
(Loss) / gain on securities	-8	14	157.6% ▼	0.4	14	58.9% ▼
Other income	172	273	37.2% ▼	639	540	18.3% ▲
Non-Interest Income	3,560	2,782	28.0% ▲	9,638	7,080	36.1% ▲
Operating expenses	-9,554	-8,266	15.6% ▲	-28,426	-25,064	13.4% ▲
Workers' Welfare Fund	-162	-227	28.8% ▼	-457	-516	11.5% ▼
Other charges	-1	-53	98.1% ▼	-3	-54	94.3% ▼
Profit Before Provisions	7,862	11,247	30.1% ▼	22,174	25,527	13.1% ▼
Provisions	105	-1,259	108.3% ▼	133	-3,437	103.9% ▼
Profit Before Taxation	7,967	9,988	20.2% ▼	22,307	22,089	1.0% ▲
Taxation	-3,075	-4,078	24.6% ▼	-8,378	-8,955	6.4% ▼
Profit After Taxation	4,891	5,910	17.2% ▼	13,930	13,135	6.1% ▲
Earnings Per Share	4.40	5.32	17.2% ▼	12.53	11.82	6.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Operating Cost to Income	-54.4%	-41.8%	12.6% ▲	-55.7%	-49.0%	6.7% ▲
Effective Taxation	-38.6%	-40.8%	2.2% ▼	-37.6%	-40.5%	3.0% ▼

Source: ACPL Research, Company Financials

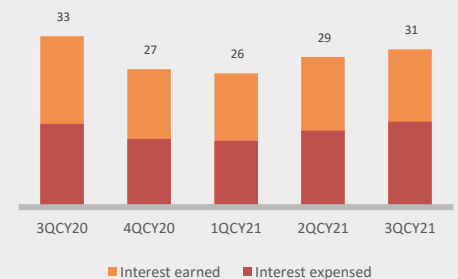
Key Statistics

Symbol	BAHL
TP - Jun 22	100
LDPCP	70
Upside (%)	42
Free Float ('mn)	722
Market Cap. (Rs.'mn)	79,244

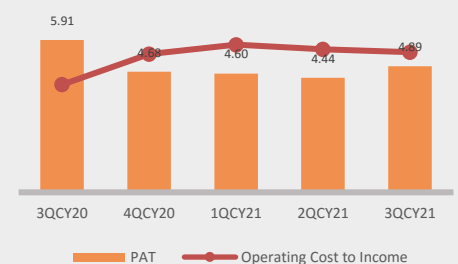
BAHL vs KSE 100



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	CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	105,602	125,273	111,309	123,023	135,515	149,225	164,282
Mark-up / Return / Interest expensed	-64,416	-67,653	-55,115	-61,733	-67,764	-74,398	-81,695
Net Mark-up / Interest Income	41,186	57,620	56,194	61,290	67,752	74,828	82,587
Fee and commission income	6,093	6,678	8,682	9,550	10,505	11,555	12,711
Dividend income	451	486	660	711	768	830	898
Foreign exchange income	2,305	2,143	2,507	2,507	2,507	2,507	2,507
Gain on securities	-32	186	212	232	254	278	304
Other income	664	780	858	944	1,039	1,142	1,257
Total non-markup / interest income	9,481	10,273	12,918	13,944	15,072	16,312	17,677
Non mark-up / interest expenses							
Operating expenses	-27,719	-34,040	-37,839	-41,190	-45,346	-49,899	-54,895
Workers' Welfare Fund	-448	-672	-632	-688	-757	-833	-916
Other charges	-93	-57	-4	-4	-4	-4	-4
Profit Before Provisions	22,406	33,124	30,637	33,351	36,716	40,404	44,449
Provisions / (reversal of provisions)	-3,395	-4,543	-1,324	-1,056	-1,162	-1,278	-1,406
Profit before income tax	19,011	28,581	29,313	32,295	35,554	39,125	43,043
Income tax expense	-7,842	-10,770	-11,009	-11,303	-12,444	-13,694	-15,065
Profit for the year	11,169	17,812	18,304	20,992	23,110	25,431	27,978
EPS	10.05	16.03	16.47	18.89	20.79	22.88	25.17

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	73.9%	18.6%	-11.1%	10.5%	10.2%	10.1%	10.1%
Mark-up / Return / Interest expensed	115.9%	5.0%	-18.5%	12.0%	9.8%	9.8%	9.8%
Net Mark-up / Interest Income	33.3%	39.9%	-2.5%	9.1%	10.5%	10.4%	10.4%
Total non-markup / interest income	33.2%	8.4%	25.8%	7.9%	8.1%	8.2%	8.4%
Non mark-up / interest expenses							
Operating expenses	19.5%	22.8%	11.2%	8.9%	10.1%	10.0%	10.0%
Workers' Welfare Fund	52.2%	49.8%	-6.0%	8.9%	10.1%	10.0%	10.0%
Other charges	2551.2%	-39.2%	-92.7%	0.0%	0.0%	0.0%	0.0%
Profit Before Provisions	54.4%	47.8%	-7.5%	8.9%	10.1%	10.0%	10.0%
Provisions / (reversal of provisions)	1273.5%	33.8%	-70.9%	-20.2%	10.0%	10.0%	10.0%
Profit before income tax	33.3%	50.3%	2.6%	10.2%	10.1%	10.0%	10.0%
Income tax expense	34.1%	37.3%	2.2%	2.7%	10.1%	10.0%	10.0%
Profit for the year	32.7%	59.5%	2.8%	14.7%	10.1%	10.0%	10.0%
EPS	32.7%	59.5%	2.8%	14.7%	10.1%	10.0%	10.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Yield on Earning Assets	%	8.84	8.98	6.93	6.95	6.94	6.94	6.93
Interest Cost	%	5.52	4.98	3.54	3.60	3.60	3.59	3.59
Net Interest Margin	%	3.33	4.00	3.40	3.34	3.34	3.34	3.34
Operating Cost to Income	%	55.78	51.21	55.67	55.67	55.67	55.67	55.67
Return on Equity	%	18.16	22.30	19.46	19.18	18.34	17.67	17.13
Return on Assets	%	0.86	1.17	1.05	1.09	1.09	1.09	1.08
Balance Sheet Analysis		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Deposits Growth	%	13.41	21.68	15.00	10.00	10.00	10.00	10.00
CASA to Deposits	%	74.55	76.56	76.56	76.56	76.56	76.56	76.56
Advances to Deposits	%	54.07	46.40	46.48	46.52	46.56	46.60	46.63
Investments to Deposits	%	64.86	69.56	67.27	65.92	64.70	63.58	62.57
PIBs to Investments	%	41.75	68.07	68.07	68.07	68.07	68.07	68.07
T Bills to Investments	%	50.91	18.95	18.95	18.95	18.95	18.95	18.95
Gross Infection Ratio	%	1.46	1.41	1.40	1.40	1.40	1.40	1.40
Provisioning Coverage	%	85.44	88.02	88.02	88.02	88.02	88.02	88.02
Net Infection Ratio	%	0.22	0.17	0.17	0.17	0.17	0.17	0.17
Capital Adequacy Ratio	%	14.35	15.09	15.42	16.18	16.82	17.37	17.85
Leverage Ratio	%	3.98	3.98	4.14	4.45	4.71	4.94	5.15
Operational Analysis		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Market Share - Deposits	%	6.18	6.15	6.26	6.09	5.93	5.77	5.62
Market Share - Advances	%	6.11	6.15	6.26	6.09	5.93	5.77	5.62
Market Share - Investments	%	6.66	6.62	6.52	6.22	5.94	5.68	5.44
No. of Branches		759	818	882	950	1024	1104	1189
Investment Ratios		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Dividend Per Share		3.50	4.50	5.00	6.00	7.00	8.00	9.00
Dividend Yield	%	5.00	6.43	7.14	8.57	10.00	11.42	12.85
Dividend Cover	x	2.87	3.56	3.29	3.15	2.97	2.86	2.80
Retention Ratio	%	65.17	71.92	69.64	68.23	66.34	65.04	64.25
Payout Ratio	%	34.83	28.08	30.36	31.77	33.66	34.96	35.75
No. of Shares	('m)	1111	1111	1111	1111	1111	1111	1111
Earnings Per Share		10.05	16.03	16.47	18.89	20.79	22.88	25.17
Book Value Per Share		55.34	71.85	84.62	98.50	113.38	129.47	146.97
Price to Earnings	x	6.97	4.37	4.25	3.71	3.37	3.06	2.78
Price to Book Value	x	1.27	0.97	0.83	0.71	0.62	0.54	0.48

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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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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