

BAHL

CY22 Result Review: BUY Stance Maintained

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BAHL has announced its CY22 result where it posted a profit after tax of Rs16.57bn (EPS: Rs14.91) as compared to a profit after tax of Rs18.70bn (EPS: Rs16.83) in the same period last year, down by 11.4% YoY amid hefty provision charged in last quarter.

The bank has posted a net interest income of Rs77.32bn against Rs55.48bn in SPLY, recording a growth of 39.4% YoY. We note that this increase is attributed to the increased interest earned.

Non-interest income has increased by 51.1% YoY to Rs21.20bn as compared to Rs14.03bn during SPLY, mainly due to the increase in foreign exchange gain income which has grown by 144% YoY. Also, the effective taxation has increased to 49.6% as compared to 38.2% SPLY amid the imposition of supertax.

Furthermore, the operating cost to income ratio has decreased to 52.6% as compared to 55.6% during SPLY. Lastly, the bank has booked a provision of Rs12.87bn as compared to the reversal of Rs0.47bn during SPLY.

BAHL is currently trading at CY23E PE of 2.47x. Furthermore, the scrip is trading at a CY23E P/B of 0.53x which offers a discount of 23% relative to its historical 3-year average of 0.69x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-23 TP of Rs.65 which provides an upside potential of 19%. Furthermore, it also offers an attractive dividend yield of 14% which makes a total return of 33%.

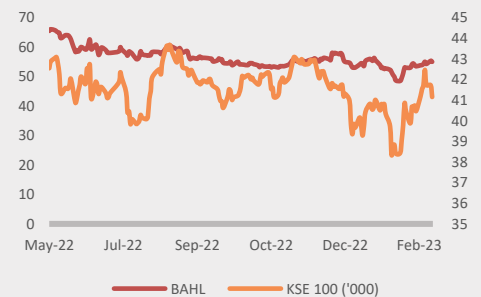
Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Interest earned	67,740	31,100	117.8% ▲	200,921	116,752	72.1% ▲
Interest expensed	-44,763	-16,962	163.9% ▲	-123,602	-61,273	101.7% ▲
Net Interest Income	22,976	14,138	62.5% ▲	77,319	55,479	39.4% ▲
Fee and commission income	2,979	2,703	10.2% ▲	11,595	9,305	24.6% ▲
Dividend income	371	156	138.1% ▲	1,343	655	104.9% ▲
Foreign exchange income	1,552	1,073	44.6% ▲	7,241	2,970	143.8% ▲
(Loss) / gain on securities	-29	-42	31.4% ▼	183	-41	18381% ▲
Other income	215	499	56.9% ▼	835	1,138	26.7% ▼
Non-Interest Income	5,088	4,389	15.9% ▲	21,196	14,027	51.1% ▲
Operating expenses	-13,255	-10,279	29.0% ▲	-51,787	-38,624	34.1% ▲
Workers' Welfare Fund	-210	-163	29.1% ▲	-817	-620	31.8% ▲
Other charges	-152	-33	357.4% ▲	-156	-36	331.0% ▲
Profit Before Provisions	14,447	8,051	79.4% ▲	45,755	30,226	51.4% ▲
Provisions	-10,427	-86	12015% ▲	-12,871	47	27134% ▲
Profit Before Taxation	4,020	7,965	49.5% ▼	32,884	30,273	8.6% ▲
Taxation	-2,419	-3,193	24.2% ▼	-16,314	-11,570	41.0% ▲
Profit After Taxation	1,602	4,773	66.4% ▼	16,570	18,702	11.4% ▼
Earnings Per Share	1.44	4.29	66.4% ▼	14.91	16.83	11.4% ▼
Dividend	7.00	7.00	-	7.00	7.00	-
Bonus	0%	0.00	-	0%	0%	-
Closing Period: Mar 14, 2023 - Mar 21, 2023						
Operating Cost to Income	-47.2%	-55.5%	8.3% ▼	-52.6%	-55.6%	3.0% ▼
Effective Taxation	-60.2%	-40.1%	20.1% ▲	-49.6%	-38.2%	11.4% ▲

Source: ACPL Research, Company Financials

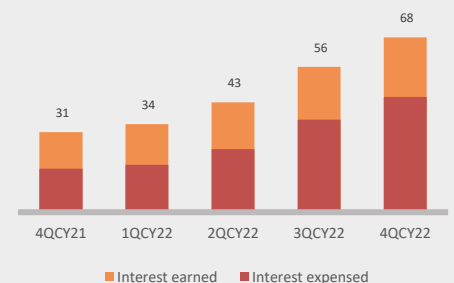
Key Statistics

Symbol	BAHL
TP - Dec 23	65
LDCP	54.98
Upside (%)	19
Free Float ('mn)	722
Market Cap. (Rs.'mn)	61,406

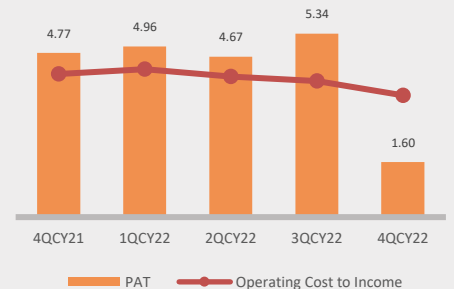
BAHL vs KSE 100



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	2022	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	125,273	116,752	200,921	269,851	308,547	337,681	388,448
Mark-up / Return / Interest expensed	-67,653	-61,273	-123,602	-179,691	-193,264	-206,982	-237,621
Net Mark-up / Interest Income	57,620	55,479	77,319	90,160	115,283	130,700	150,826
Fee and commission income	6,678	9,305	11,595	11,943	14,919	18,638	23,282
Dividend income	486	655	1,343	1,378	1,395	1,577	1,787
Foreign exchange income	2,143	2,970	7,241	3,258	3,258	3,258	3,258
Gain on securities	186	-41	183	45	52	60	69
Other income	780	1,138	835	862	890	918	948
Total non-markup / interest income	10,273	14,027	21,196	17,486	20,514	24,451	29,344
Non mark-up / interest expenses							
Operating expenses	-34,040	-38,624	-51,787	-56,587	-72,122	-82,401	-95,689
Workers' Welfare Fund	-672	-620	-817	-776	-1,173	-1,341	-1,557
Other charges	-57	-36	-156	-610	-610	-610	-610
Profit Before Provisions	33,124	30,226	45,755	49,673	61,891	70,799	82,315
Provisions / (reversal of provisions)	-4,543	47	-12,871	-4,604	-2,561	-2,945	-3,387
Profit before income tax	28,581	30,273	32,884	45,069	59,330	67,854	78,928
Income tax expense	-10,770	-11,570	-16,314	-20,281	-26,699	-30,534	-35,518
Profit for the year	17,812	18,702	16,570	24,788	32,632	37,320	43,410
EPS	16.03	16.83	14.91	22.30	29.36	33.58	39.06

Source: ACPL Research, Company Financials

Horizontal Analysis

	2020	2021	2022	2023E	2024E	2025E	2025E
Mark-up / Return / Interest earned	18.6%	-6.8%	72.1%	34.3%	14.3%	9.4%	15.0%
Mark-up / Return / Interest expensed	5.0%	-9.4%	101.7%	45.4%	7.6%	7.1%	14.8%
Net Mark-up / Interest Income	39.9%	-3.7%	39.4%	16.6%	27.9%	13.4%	15.4%
Total non-markup / interest income	9.6%	39.3%	24.6%	3.0%	24.9%	24.9%	24.9%
Non mark-up / interest expenses	7.7%	34.8%	104.9%	2.6%	1.2%	13.1%	13.3%
Operating expenses	-671.7%	-122.2%	-544.3%	-75.3%	15.2%	15.2%	15.2%
Workers' Welfare Fund	17.5%	45.9%	-26.7%	3.2%	3.2%	3.2%	3.2%
Other charges	8.4%	36.5%	51.1%	-17.5%	17.3%	19.2%	20.0%
Profit Before Provisions							
Provisions / (reversal of provisions)	22.8%	13.5%	34.1%	9.3%	27.5%	14.3%	16.1%
Profit before income tax	49.8%	-7.7%	31.8%	-5.0%	51.2%	14.3%	16.1%
Income tax expense	-39.2%	-36.0%	331.0%	290.0%	0.0%	0.0%	0.0%
Profit for the year	47.8%	-8.8%	51.4%	8.6%	24.6%	14.4%	16.3%
EPS	33.8%	-101.0%	-27334%	-64.2%	-44.4%	15.0%	15.0%
EPS	50.3%	5.9%	8.6%	37.1%	31.6%	14.4%	16.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2020	2021	2022	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	8.98	6.90	9.60	12.64	12.56	11.94	12.03
Interest Cost	%	4.98	3.69	5.84	8.62	8.07	7.52	7.51
Net Interest Margin	%	4.00	3.21	3.76	4.03	4.49	4.42	4.52
Operating Cost to Income	%	51.21	56.51	53.56	53.86	54.42	54.37	54.31
Return on Equity	%	22.30	20.78	16.79	21.43	23.79	23.05	26.31
Return on Assets	%	1.17	1.01	0.82	1.07	1.22	1.22	1.24
Balance Sheet Analysis		2020	2021	2022	2023E	2024E	2025E	2026E
Deposits Growth	%	21.68	19.11	12.00	15.00	15.00	15.00	15.00
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	53.82	53.87	53.92	53.96
Investments to Deposits	%	69.56	63.11	58.66	52.30	51.32	50.46	49.71
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	1.46	1.46	1.46	1.46
Provisioning Coverage	%	88.02	83.83	90.00	98.00	98.00	98.00	98.00
Net Infection Ratio	%	0.17	0.17	0.15	0.03	0.03	0.03	0.03
Capital Adequacy Ratio	%	15.09	13.49	13.64	13.84	14.19	14.50	13.18
Leverage Ratio	%	3.98	3.74	3.90	4.00	4.15	4.29	3.78
Operational Analysis		2020	2021	2022	2023E	2024E	2025E	2026E
Market Share - Deposits	%	6.15	6.25	6.16	6.24	6.33	6.41	6.49
Market Share - Advances	%	6.15	6.03	6.34	7.10	7.19	7.28	7.38
Market Share - Investments	%	6.62	5.85	5.40	4.88	4.85	4.83	4.82
No. of Branches		818	956	1117	1306	1526	1784	2084
Investment Ratios		2020	2021	2022	2023E	2024E	2025E	2026E
Dividend Per Share		4.50	7.00	7.00	8.00	11.00	12.50	14.50
Dividend Yield	%	8.18	12.73	12.73	14.55	20.01	22.74	26.37
Dividend Cover	x	3.56	2.40	2.13	2.79	2.67	2.69	2.69
Retention Ratio	%	71.92	58.40	53.05	63.11	63.11	63.11	63.11
Payout Ratio	%	28.08	41.60	46.95	36.89	36.89	36.89	36.89
No. of Shares	('m)	1111	1111	1111	1111	1111	1111	1111
Earnings Per Share		16.03	16.83	14.91	22.30	29.36	33.58	39.06
Book Value Per Share		71.85	80.99	88.82	104.06	123.43	145.67	148.45
Price to Earnings	x	3.43	3.27	3.69	2.47	1.87	1.64	1.41
Price to Book Value	x	0.77	0.68	0.62	0.53	0.45	0.38	0.37

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
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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