

BAHL

1HCY21 Result Review: BUY Stance Maintained

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BAHL has announced its 1HCY21 result where it posted profit after tax of Rs9.0bn (EPS: Rs8.13) as compared to profit after tax of Rs7.2bn (EPS: Rs6.5) in same period last year, up by 25.1% YoY.

The company has posted the net interest income of Rs27.4bn against Rs27.1bn in SPLY, recording a growth of 1.2% 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 41.4% YoY to Rs6.1bn as compared to Rs4.3bn during SPLY, mainly due to the increase in fee and commission income which has grown by 42.4% YoY.

Furthermore, operating cost to income ratio has been increased to 56.4% as compared to 53.6% during SPLY.

Lastly, the bank has booked a reversal of Rs29mn as compared to the hefty provision of Rs2.2bn during SPLY.

BAHL is currently trading at CY21E PE of 4.41x. Furthermore, the scrip is trading at a CY21E P/B of 0.83x which offers a discount of 43% relative to its historical 5-year average of 1.47x. We recommend our investors to **BUY** the scrip with a Residual Income based Jun-22 TP of Rs.90 which provides an upside potential of 29%. Furthermore, it also offers an attractive dividend yield of 7% which makes the total return of 36%.

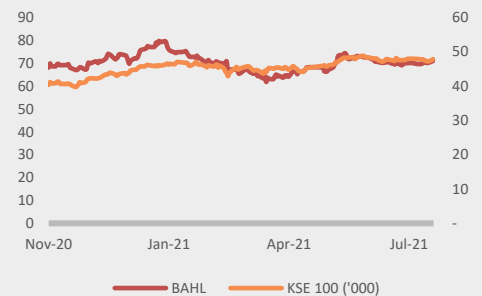
Rupees' millions	2QCY21	2QCY20	YoY	1HCY21	1HCY20	YoY
Interest earned	29,120	33,000	11.8% ▼	55,061	65,374	15.8% ▼
Interest expensed	-14,827	-17,187	13.7% ▼	-27,658	-38,304	27.8% ▼
Net Interest Income	14,293	15,814	9.6% ▼	27,403	27,070	1.2% ▲
Fee and commission income	2,048	1,390	47.3% ▲	4,307	3,025	42.4% ▲
Dividend income	150	119	25.7% ▲	246	196	25.6% ▲
Foreign exchange income	399	436	8.5% ▼	1,049	811	29.4% ▲
(Loss) / gain on securities	8	0	-	9	0	760.8% ▲
Other income	304	63	384.0% ▲	468	267	75.3% ▲
Non-Interest Income	2,908	2,008	44.8% ▲	6,078	4,298	41.4% ▲
Operating expenses	-9,550	-8,494	12.4% ▲	-18,872	-16,798	12.3% ▲
Workers' Welfare Fund	-151	-180	16.0% ▼	-296	-290	2.0% ▲
Other charges	-1	0	409.8% ▲	-2	-1	313.9% ▲
Profit Before Provisions	7,499	9,147	18.0% ▼	14,312	14,279	0.2% ▲
Provisions	-217	-1,836	88.2% ▼	29	-2,178	101.3% ▼
Profit Before Taxation	7,282	7,311	0.4% ▼	14,341	12,101	18.5% ▲
Taxation	-2,845	-2,945	3.4% ▼	-5,303	-4,876	8.7% ▲
Profit After Taxation	4,438	4,366	1.6% ▲	9,038	7,225	25.1% ▲
Earnings Per Share	3.99	3.93	1.6% ▲	8.13	6.50	25.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Operating Cost to Income	-55.5%	-47.7%	7.9% ▲	-56.4%	-53.6%	2.8% ▲
Effective Taxation	-39.1%	-40.3%	1.2% ▼	-37.0%	-40.3%	3.3% ▼

Source: ACPL Research, Company Financials

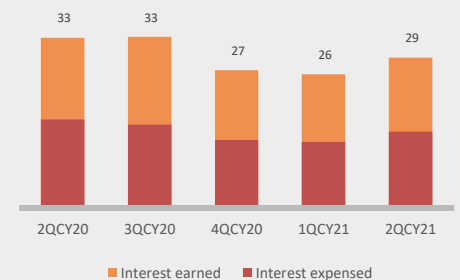
Key Statistics

Symbol	BAHL
TP - Jun 22	90
LDCP	70
Upside (%)	29
Free Float ('mn)	722
Market Cap. (Rs.'mn)	77,800

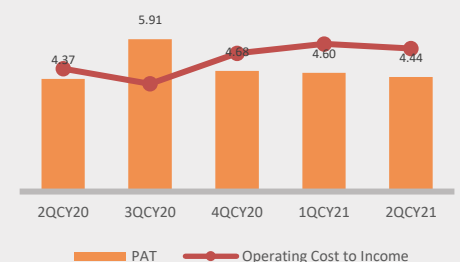
BAHL vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

M. Fawad Naveed

Phone: (+92) 42 38302028; Ext: 117
Email: fawad@abbasiandcompany.com

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	107,446	124,270	142,754
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	56,366	65,753	75,684
Fee and commission income	2,287	2,521	3,153	4,115	6,093	6,678	8,682	9,550	10,505
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	12,187	13,129	14,168
Non mark-up / interest expenses									
Operating expenses	-14,695	-17,728	-19,779	-23,202	-27,719	-34,040	-38,637	-44,458	-50,641
Workers' Welfare Fund	0	0	-287	-295	-448	-672	-604	-695	-792
Other charges	-302	492	-36	-4	-93	-57	-4	-4	-4
Profit Before Provisions	14,330	12,488	13,939	14,511	22,406	33,124	29,308	33,724	38,415
Provisions / (reversal of provisions)	-1,999	676	-49	-247	-3,395	-4,543	-1,324	-1,585	-1,822
Profit before income tax	12,332	13,164	13,890	14,264	19,011	28,581	27,984	32,140	36,593
Income tax expense	-4,927	-5,045	-5,389	-5,846	-7,842	-10,770	-10,347	-11,249	-12,807
Profit for the year	7,405	8,119	8,501	8,418	11,169	17,812	17,637	20,891	23,785
EPS	6.66	7.31	7.65	7.57	10.05	16.03	15.87	18.80	21.40

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%	-14.23%	15.66%	14.87%
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%	-2.18%	16.65%	15.10%
Fee and commission income	17.23%	10.26%	25.04%	30.53%	48.06%	9.60%	30.00%	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%	18.64%	7.72%	7.92%
Non mark-up / interest expenses									
Operating expenses	20.6%	20.6%	11.6%	17.3%	19.5%	22.8%	13.5%	15.1%	13.9%
Workers' Welfare Fund	0.0%	0.0%	0.0%	2.8%	52.2%	49.8%	-10.0%	15.1%	13.9%
Other charges	49.0%	-263.0%	-107.4%	-90.4%	2551.2%	-39.2%	-92.7%	0.0%	0.0%
Profit Before Provisions	36.7%	-12.9%	11.6%	4.1%	54.4%	47.8%	-11.5%	15.1%	13.9%
Provisions / (reversal of provisions)	255.5%	-133.8%	-107.2%	409.2%	1273.5%	33.8%	-70.9%	19.7%	15.0%
Profit before income tax	24.3%	6.7%	5.5%	2.7%	33.3%	50.3%	-2.1%	14.9%	13.9%
Income tax expense	38.07%	2.40%	6.83%	8.47%	34.15%	37.33%	-3.92%	8.71%	13.86%
Profit for the year	16.63%	9.65%	4.70%	-0.98%	32.68%	59.48%	-0.98%	18.45%	13.86%
EPS	16.63%	9.65%	4.70%	-0.98%	32.68%	59.48%	-0.98%	18.45%	13.86%

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	6.70	6.74	6.73
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	3.42	3.47	3.47
Operating Cost to Income	%	51.14	57.99	59.05	61.82	55.78	51.21	57.25	57.25	57.25
Return on Equity	%	19.56	19.10	18.53	16.99	18.16	22.30	18.89	19.12	18.70
Return on Assets	%	1.16	1.08	0.90	0.80	0.86	1.17	1.01	1.04	1.03
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	46.48	46.54	46.60
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	1.40	1.40	1.40
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	0.17	0.17	0.17
Capital Adequacy Ratio	%	13.75	14.18	13.81	13.43	14.35	15.09	15.33	15.58	15.76
Leverage Ratio	%	0.00	3.60	4.26	4.07	3.98	3.98	4.11	4.23	4.33
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	%	5.00	5.00	4.29	3.57	5.00	6.43	7.14	8.57	10.00
Dividend Cover	x	1.90	2.09	2.55	3.03	2.87	3.56	3.17	3.13	3.06
Retention Ratio	%	47.47	52.09	60.78	66.99	65.17	71.92	68.49	68.08	67.29
Payout Ratio	%	52.53	47.91	39.22	33.01	34.83	28.08	31.51	31.92	32.71
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	15.87	18.80	21.40
Book Value Per Share		34.06	38.25	41.28	44.58	55.34	71.85	84.02	98.30	114.42
Price to Earnings	x	10.51	9.58	9.15	9.24	6.97	4.37	4.41	3.72	3.27
Price to Book Value	x	2.06	1.83	1.70	1.57	1.26	0.97	0.83	0.71	0.61

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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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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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com