

BAFL

9MCY21 Result Review: BUY Stance Maintained

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BAFL has announced its annual result where it posted a profit after tax of Rs10.5bn (EPS: Rs5.9) as compared to profit after tax of Rs8.3bn (EPS: Rs4.69) in the same period last year, up by 25.8% YoY.

The bank has posted a net interest income of Rs33.89bn against Rs34.47bn in SPLY, recording a negative growth of 1.7% YoY. We note that this decline is attributed to the increase in interest cost.

Non-interest income has increased by 15.6% YoY to Rs11.59bn as compared to Rs10.02bn during SPLY, mainly due to increase in Fee and Commission Income.

Furthermore, the operating cost to income ratio has been increased to 58.5% as compared to 52.6% during SPLY.

The bank has charged the provision of Rs1.4bn which is significantly lower than the 9MCY20's tally of Rs6.3bn.

BAFL is currently trading at CY21E PE of 4.96x. Furthermore, the scrip is trading at a CY21E P/B of 0.65x which offers a discount of 10% relative to its historical 2-year average of 0.72x. We have a **BUY** stance on the script with a Justified P/B based Jun-22 TP of Rs.50 which provides an upside potential of 40%. Furthermore, it also offers an attractive dividend yield of 11% which makes the total return 51%.

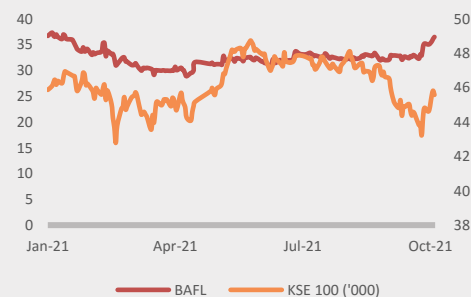
Rupees' millions	3QCY21	3QCY20	YoY	9MCY21	9MCY20	YoY
Interest earned	25,751	21,787	18.2% ▲	71,664	71,736	0.1% ▼
Interest expensed	-13,843	-10,681	29.6% ▲	-37,771	-37,269	1.3% ▲
Net Interest Income	11,908	11,106	7.2% ▲	33,893	34,467	1.7% ▼
Fee and commission income	2,037	1,832	11.2% ▲	5,988	4,791	25.0% ▲
Dividend income	95	57	65.8% ▲	419	254	65.1% ▲
Foreign exchange income	1,075	754	42.6% ▲	2,796	2,762	1.2% ▲
(Loss) / gain on securities	352	452	22.1% ▼	2,204	2,185	0.9% ▲
Other income	27	46	40.3% ▼	107	91	17.6% ▲
Non-Interest Income	3,613	3,142	15.0% ▲	11,589	10,024	15.6% ▲
Operating expenses	-9,202	-7,844	17.3% ▲	-26,592	-23,383	13.7% ▲
Workers' Welfare Fund	-124	-130	4.9% ▼	-353	-406	13.0% ▼
Other charges	-5	-45	88.8% ▼	-24	-88	72.6% ▼
Profit Before Provisions	6,190	6,229	0.6% ▼	18,512	20,614	10.2% ▼
Provisions	-269	-1,490	82.0% ▼	-1,419	-6,279	77.4% ▼
Profit Before Taxation	5,921	4,738	25.0% ▲	17,093	14,335	19.2% ▲
Taxation	-2,374	-1,991	19.2% ▲	-6,612	-6,004	10.1% ▲
Profit After Taxation	3,548	2,747	29.1% ▲	10,481	8,331	25.8% ▲
Earnings Per Share	2.00	1.55	29.1% ▲	5.90	4.69	25.8% ▲
Dividend	0.00	2.00	100.0% ▼	2.00	2.00	
Bonus	0%	0%		0%	0%	
Operating Cost to Income	-59.3%	-55.1%	4.2% ▲	-58.5%	-52.6%	5.9% ▲
Effective Taxation	-40.1%	-42.0%	1.9% ▼	-38.7%	-41.9%	3.2% ▼

Source: ACPL Research, Company Financials

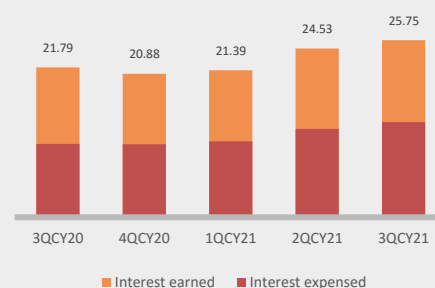
Key Statistics

Symbol	BAFL
TP - Jun 22	50.00
LDCP	36.48
Upside (%)	40
Free Float ('mn)	711
Market Cap. (Rs.'mn)	65,222

BAFL 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	92,481	92,616	85,453	96,803	109,113	122,685	138,015
Mark-up / Return / Interest expensed	-47,623	-47,911	-44,068	-51,281	-58,033	-65,348	-73,594
Net Mark-up / Interest Income	44,857	44,705	41,385	45,522	51,081	57,337	64,421
Fee and commission income	7,034	6,559	7,346	8,228	9,215	10,321	11,560
Dividend income	339	403	534	571	613	661	714
Foreign exchange income	2,826	3,398	2,056	2,169	2,343	2,494	2,548
(Loss) / gain from derivatives	-68	-21	0	0	0	0	0
(Loss) / gain on securities	84	2,285	3,817	4,224	4,683	5,200	5,782
Other income	180	171	161	153	145	137	129
Total non-markup / interest income	10,396	12,795	13,915	15,345	16,999	18,812	20,733
Non mark-up / interest expenses							
Operating expenses	-29,066	-31,443	-33,733	-37,129	-41,529	-46,451	-51,944
Workers' Welfare Fund	-508	-494	-409	-450	-504	-564	-630
Other charges	-269	-94	-87	-99	-111	-125	-141
Profit Before Provisions	25,410	25,468	21,071	23,189	25,936	29,009	32,439
Provisions / (reversal of provisions)	-3,029	-7,589	-966	-1,463	-1,511	-1,548	-1,571
Profit before income tax	22,382	17,878	20,105	21,726	24,425	27,461	30,869
Income tax expense	-9,686	-7,403	-7,037	-7,604	-8,549	-9,611	-10,804
Profit for the year	12,696	10,475	13,068	14,122	15,876	17,850	20,065
EPS	7.14	5.89	7.35	7.95	8.93	10.04	11.29

Source: ACPL Research, Company Financials

Horizontal Analysis

Horizontal Analysis	CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	55.9%	0.1%	-7.7%	13.3%	12.7%	12.4%	12.5%
Mark-up / Return / Interest expensed	71.8%	0.6%	-8.0%	16.4%	13.2%	12.6%	12.6%
Net Mark-up / Interest Income	42.0%	-0.3%	-7.4%	10.0%	12.2%	12.2%	12.4%
Total non-markup / interest income	1.9%	23.1%	8.8%	10.3%	10.8%	10.7%	10.2%
Non mark-up / interest expenses							
Operating expenses	21.3%	8.2%	7.3%	10.1%	11.8%	11.9%	11.8%
Workers' Welfare Fund	29.5%	-2.6%	-17.2%	10.1%	11.8%	11.9%	11.8%
Other charges	4086.7%	-64.9%	-7.7%	13.3%	12.7%	12.4%	12.5%
Profit Before Provisions	45.8%	0.2%	-17.3%	10.1%	11.8%	11.8%	11.8%
Provisions / (reversal of provisions)	414.7%	150.6%	-87.3%	51.5%	3.3%	2.5%	1.4%
Profit before income tax	32.9%	-20.1%	12.5%	8.1%	12.4%	12.4%	12.4%
Income tax expense	44.8%	-23.6%	-5.0%	8.1%	12.4%	12.4%	12.4%
Profit for the year	25.1%	-17.5%	24.8%	8.1%	12.4%	12.4%	12.4%
EPS	25.1%	-17.5%	24.8%	8.1%	12.4%	12.4%	12.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Yield on Earning Assets	%	9.49	7.15	5.86	5.91	5.93	5.92	5.92
Interest Cost	%	5.21	3.91	3.19	3.30	3.31	3.31	3.31
Net Interest Margin	%	4.28	3.24	2.67	2.62	2.62	2.62	2.61
Operating Cost to Income	%	54.01	55.71	61.90	61.90	61.90	61.90	61.91
Return on Equity	%	14.42	11.51	13.17	13.24	13.68	14.08	14.34
Return on Assets	%	1.19	0.76	0.84	0.81	0.81	0.81	0.81
Balance Sheet Analysis		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Deposits Growth	%	11.29	12.72	12.72	12.72	12.72	12.72	12.72
CASA to Deposits	%	71.94	74.53	74.53	74.53	74.53	74.53	74.53
Advances to Deposits	%	65.35	65.47	70.61	70.45	70.30	70.16	70.02
Investments to Deposits	%	38.23	62.04	58.55	55.56	52.92	50.57	48.48
PIBs to Investments	%	43.07	40.09	40.09	40.09	40.09	40.09	40.09
T Bills to Investments	%	32.51	37.73	37.73	37.73	37.73	37.73	37.73
Gross Infection Ratio	%	4.23	4.30	4.00	3.80	3.60	3.40	3.20
Provisioning Coverage	%	79.14	70.83	70.83	70.83	70.83	70.83	70.83
Net Infection Ratio	%	0.91	1.31	1.13	1.07	1.02	0.96	0.91
Capital Adequacy Ratio	%	16.88	16.53	15.96	15.40	14.99	14.64	14.42
Leverage Ratio	%	5.83	4.44	4.21	4.05	3.95	3.86	3.82
Operational Analysis		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Market Share - Deposits	%	5.35	4.93	4.92	4.91	4.89	4.88	4.87
Market Share - Advances	%	6.50	7.07	7.05	7.03	7.02	7.00	6.98
Market Share - Investments	%	3.35	4.69	4.42	4.19	3.98	3.79	3.62
No. of Branches		698	706	714	722	731	739	747
Investment Ratios		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Dividend Per Share		4.00	4.00	4.00	4.50	4.50	5.00	5.00
Dividend Yield	%	10.96	10.96	10.96	12.34	12.34	13.71	13.71
Dividend Cover	x	1.79	1.47	1.84	1.77	1.99	2.01	2.26
Retention Ratio	%	44.01	32.14	32.14	32.14	32.14	32.14	32.14
Payout Ratio	%	55.99	67.86	67.86	67.86	67.86	67.86	67.86
No. of Shares	('m)	1777	1777	1777	1777	1777	1777	1777
Earnings Per Share		7.14	5.89	7.35	7.95	8.93	10.04	11.29
Book Value Per Share		49.53	51.21	55.81	60.02	65.32	71.33	78.71
Price to Earnings	x	5.11	6.19	4.96	4.59	4.08	3.63	3.23
Price to Book Value	x	0.74	0.71	0.65	0.61	0.56	0.51	0.46

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%

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Market Weight	Neutral
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