

BAFL

CY20 Result Review: BUY Stance Maintained

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BAFL has announced its annual result where it posted profit after tax of Rs10.5bn (EPS: Rs5.89) as compared to profit after tax of Rs12.7bn (EPS: Rs7.14) in same period last year, down by 17.5% YoY.

The company has posted the net interest income of Rs44.7bn against Rs44.9bn in SPLY, recording a negative growth of 0.3% YoY. We note that this decline is attributed to the increase in interest cost.

Non-interest income has also increased by 23.1% YoY to Rs12.8bn as compared to Rs10.4bn during SPLY, mainly due to the higher exchange gains and gain on securities.

Furthermore, the operating cost to income ratio has been increased to 54.7% as compared to 52.6% during SPLY.

The major hit to the earnings is caused by the significant provision charged by the bank. The bank has charged the provision of Rs7.6bn which is significantly higher than the CY19's tally of Rs3bn.

BAFL is currently trading at CY21E PE of 5.41x. Furthermore, the script is trading at a CY20E P/B of 0.66x which offers a discount of 25% relative to its historical 5-year average of 0.88x. We have a **BUY** stance on the script with a Justified P/B based Dec-21 TP of Rs.42 which provides an upside potential of 14%. Furthermore, it also offers an attractive dividend yield of 11% which makes the total return of 25%.

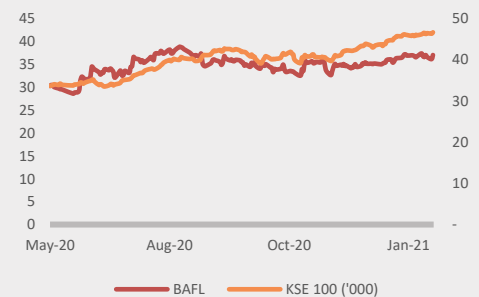
Rupees' millions	4QCY20	4QCY19	YoY	CY20	CY19	YoY
Interest earned	20,880	26,046	19.8% ▼	92,616	92,481	0.1% ▲
Interest expensed	-10,643	-14,500	26.6% ▼	-47,911	-47,623	0.6% ▲
Net Interest Income	10,238	11,546	11.3% ▼	44,705	44,857	0.3% ▼
Fee and commission income	1,768	1,783	0.9% ▼	6,559	7,034	6.8% ▼
Dividend income	149	88	69.0% ▲	403	339	19.0% ▲
Foreign exchange income	636	871	27.0% ▼	3,398	2,826	20.2% ▲
(Loss) / gain on securities	100	522	80.9% ▼	2,285	84	2622.0% ▲
Other income	79	31	155.4% ▲	171	180	5.4% ▼
Non-Interest Income	2,771	3,290	15.8% ▼	12,795	10,396	23.1% ▲
Operating expenses	-8,060	-7,709	4.6% ▲	-31,443	-29,066	8.2% ▲
Workers' Welfare Fund	-88	-128	30.9% ▼	-494	-508	2.6% ▼
Other charges	-7	-98	93.0% ▼	-94	-269	64.9% ▼
Profit Before Provisions	4,853	6,902	29.7% ▼	25,468	25,410	0.2% ▲
Provisions	-1,310	-1,016	29.0% ▲	-7,589	-3,029	150.6% ▲
Profit Before Taxation	3,543	5,885	39.8% ▼	17,878	22,382	20.1% ▼
Taxation	-1,399	-2,432	42.5% ▼	-7,403	-9,686	23.6% ▼
Profit After Taxation	2,143	3,453	37.9% ▼	10,475	12,696	17.5% ▼
Earnings Per Share	1.21	1.94	37.9% ▼	5.89	7.14	17.5% ▼
Dividend	2.00	2.00		4.00	4.00	
Bonus	0%	0%		0%	0%	
Closing Period: 3 Mar 21 - 9 Mar 21						
Operating Cost to Income	-62.0%	-52.0%	10.0% ▲	-54.7%	-52.6%	2.1% ▲
Effective Taxation	-39.5%	-41.3%	1.8% ▼	-41.4%	-43.3%	1.9% ▼

Source: ACPL Research, Company Financials

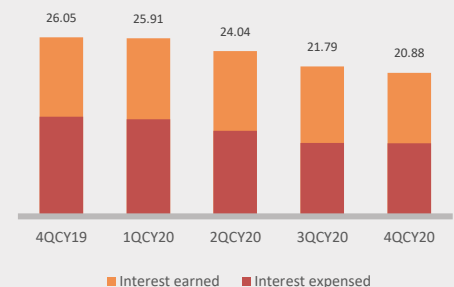
Key Statistics

Symbol	BAFL
TP - Dec 21	42.00
LDPCP	36.80
Upside (%)	14
Free Float ('mn)	711
Market Cap. (Rs.'mn)	65,400

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	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Mark-up / Return / Interest earned	61,438	57,245	56,176	59,318	92,481	92,616	92,045	95,967	94,899
Mark-up / Return / Interest expensed	-32,811	-28,474	-27,199	-27,727	-47,623	-47,911	-48,780	-47,264	-44,824
Net Mark-up / Interest Income	28,627	28,770	28,976	31,591	44,857	44,705	43,265	48,703	50,075
Fee and commission income	4,384	4,668	6,013	6,292	7,034	6,559	7,018	7,510	8,035
Dividend income	514	585	460	576	339	403	443	488	538
Foreign exchange income	1,379	1,121	1,443	2,169	2,826	3,398	2,056	2,169	2,343
(Loss) / gain from derivatives	0	0	-59	-21	-68	-21	0	0	0
(Loss) / gain on securities	1,836	1,682	1,134	993	84	2,285	1,450	1,608	1,783
Other income	748	813	85	192	180	171	161	153	145
Total non-markup / interest income	8,862	8,868	9,076	10,200	10,396	12,795	11,130	11,927	12,844
Non mark-up / interest expenses									
Operating expenses	-21,956	-23,423	-24,672	-23,967	-29,066	-31,443	-33,181	-36,984	-38,380
Workers' Welfare Fund	-330	-118	-259	-392	-508	-494	-403	-449	-466
Other charges	0	0	-33	-6	-269	-94	-94	-98	-97
Profit Before Provisions	15,203	14,097	13,089	17,426	25,410	25,468	20,718	23,099	23,976
Provisions / (reversal of provisions)	-2,599	-1,073	616	-588	-3,029	-7,589	-2,118	-2,239	-2,360
Profit before income tax	12,604	13,023	13,705	16,838	22,382	17,878	18,600	20,860	21,616
Income tax expense	-5,081	-5,123	-5,539	-6,687	-9,686	-7,403	-6,510	-7,301	-7,566
Profit for the year	7,523	7,900	8,166	10,150	12,696	10,475	12,090	13,559	14,050
EPS	4.23	4.45	4.60	5.71	7.14	5.89	6.80	7.63	7.91

Source: ACPL Research, Company Financials

Horizontal Analysis

Horizontal Analysis	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Mark-up / Return / Interest earned	10.94%	-6.83%	-1.87%	5.59%	55.91%	0.15%	-0.62%	4.26%	-1.11%
Mark-up / Return / Interest expensed	-2.07%	-13.22%	-4.48%	1.94%	71.76%	0.60%	1.81%	-3.11%	-5.16%
Net Mark-up / Interest Income	30.88%	0.50%	0.72%	9.02%	41.99%	-0.34%	-3.22%	12.57%	2.82%
Fee and commission income	40.53%	6.47%	28.81%	4.63%	11.80%	-6.75%	7.00%	7.00%	7.00%
Dividend income	4.48%	13.69%	-21.29%	25.14%	-41.15%	18.96%	9.95%	10.08%	10.19%
Foreign exchange income	-32.50%	-18.73%	28.74%	50.29%	30.34%	20.23%	-39.50%	5.49%	8.05%
Gain on securities	50.69%	-8.39%	-32.56%	-12.45%	-91.55%	2622.04%	-36.52%	10.84%	10.88%
Other income	-65.43%	8.69%	-89.58%	126.54%	-6.03%	-5.37%	-5.37%	-5.37%	-5.37%
Total non-markup / interest income	-1.94%	0.07%	2.35%	12.39%	1.91%	23.08%	-13.02%	7.16%	7.69%
Non mark-up / interest expenses									
Operating expenses	8.37%	6.68%	5.33%	-2.86%	21.28%	8.18%	5.53%	11.46%	3.78%
Workers' Welfare Fund	59.81%	-64.10%	118.65%	51.46%	29.48%	-2.61%	-18.58%	11.46%	3.78%
Other charges	0.00%	0.00%	0.00%	-80.35%	4086.67%	-64.90%	-0.62%	4.26%	-1.11%
Profit Before Provisions	45.59%	-7.28%	-7.15%	33.14%	45.82%	0.22%	-18.65%	11.49%	3.80%
Provisions / (reversal of provisions)	34.7%	-58.7%	-157.4%	-195.5%	414.7%	150.6%	-72.1%	5.7%	5.4%
Profit before income tax	48.05%	3.33%	5.24%	22.86%	32.93%	-20.12%	4.04%	12.15%	3.62%
Income tax expense	76.88%	0.83%	8.11%	20.74%	44.84%	-23.57%	-12.07%	12.15%	3.62%
Profit for the year	33.36%	5.01%	3.37%	24.30%	25.08%	-17.49%	15.42%	12.15%	3.62%
EPS	33.36%	5.01%	3.37%	24.30%	25.08%	-17.49%	15.42%	12.15%	3.62%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Yield on Earning Assets	%	7.25	6.62	6.13	6.44	9.49	8.11	7.03	6.61	5.90
Interest Cost	%	3.94	3.39	3.10	3.17	5.21	4.41	3.92	3.42	2.91
Net Interest Margin	%	3.31	3.24	3.04	3.27	4.28	3.70	3.11	3.20	2.99
Operating Cost to Income	%	59.45	62.55	65.60	58.30	54.01	55.71	61.91	61.90	61.89
Return on Equity	%	14.10	13.14	12.41	13.42	14.42	11.25	12.15	12.71	12.28
Return on Assets	%	0.83	0.86	0.82	1.01	1.19	0.82	0.85	0.86	0.80
Balance Sheet Analysis		2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Deposits Growth	%	5.65	0.12	0.63	8.98	11.29	11.29	11.29	11.29	11.29
CASA to Deposits	%	70.06	79.99	73.51	70.62	71.94	82.27	82.27	82.27	82.27
Advances to Deposits	%	52.20	59.09	62.12	71.37	65.35	66.53	66.41	66.29	66.17
Investments to Deposits	%	66.09	60.71	62.13	39.50	38.23	41.84	41.34	40.89	40.48
PIBs to Investments	%	55.64	64.25	35.64	19.90	43.07	43.07	43.07	43.07	43.07
T Bills to Investments	%	22.73	14.71	47.73	59.28	32.51	32.51	32.51	32.51	32.51
Gross Infection Ratio	%	5.27	4.80	4.21	3.63	4.23	5.40	5.20	5.00	4.80
Provisioning Coverage	%	83.73	86.06	89.22	84.39	79.14	85.00	85.00	85.00	85.00
Net Infection Ratio	%	0.90	0.70	0.47	0.59	0.91	0.77	0.75	0.72	0.69
Capital Adequacy Ratio	%	13.27	13.18	13.39	14.95	16.88	15.12	14.64	14.21	13.81
Leverage Ratio	%	3.41	3.46	4.06	5.64	5.83	5.31	5.08	4.88	4.70
Operational Analysis		2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Market Share - Deposits	%	6.88	5.72	5.22	5.26	5.35	5.27	5.19	5.12	5.05
Market Share - Advances	%	7.33	7.10	6.39	6.57	6.50	6.00	5.92	5.83	5.75
Market Share - Investments	%	6.23	5.27	4.66	3.68	3.35	3.63	3.53	3.44	3.36
No. of Branches		653	639	638	649	698	710	722	735	747
Investment Ratios		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Dividend Per Share		1.00	0.00	1.50	2.50	4.00	4.00	4.00	4.50	4.50
Dividend Yield	%	2.72	0.00	4.08	6.79	10.87	10.87	10.87	12.23	12.23
Dividend Cover	x	4.23	0.00	3.06	2.28	1.79	1.47	1.70	1.70	1.76
Retention Ratio	%	76.38	100.00	67.36	56.23	44.01	32.14	32.14	32.14	32.14
Payout Ratio	%	23.62	0.00	32.64	43.77	55.99	67.86	67.86	67.86	67.86
No. of Shares	('m)	1777	1777	1777	1777	1777	1777	1777	1777	1777
Earnings Per Share		4.23	4.45	4.60	5.71	7.14	5.89	6.80	7.63	7.91
Book Value Per Share		30.02	33.83	37.03	42.57	49.53	52.40	55.99	60.01	64.40
Price to Earnings	x	8.69	8.28	8.01	6.44	5.15	6.24	5.41	4.82	4.65
Price to Book Value	x	1.23	1.09	0.99	0.86	0.74	0.70	0.66	0.61	0.57

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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- 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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