

BAFL

CY22 Result Review: BUY Stance Maintained

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BAFL has announced its CY22 result where it posted a profit after tax of Rs18.21bn (Diluted EPS: Rs10.24) as compared to a profit after tax of Rs14.22bn (Diluted EPS: Rs8.00) in the same period last year, up by 28.1% YoY amid higher NIM and hefty foreign exchange and dividend income.

The bank has posted a net interest income of Rs77.34bn against Rs46.27bn in SPLY, recording a growth of 67.2% YoY. Non-interest income has increased by 34% YoY to Rs21.79bn as compared to Rs16.25bn during SPLY. FX income surged by 123.3% to Rs9.22bn while dividend income increased by 104.4% to Rs1.23bn.

Furthermore, the operating cost-to-income ratio has decreased to 50% as compared to 58.1% during SPLY. The bank classified certain parties in Non-Performing category and charged the provision of Rs12.47bn which is over four times higher than the SPLY's tally of Rs2.31bn. Furthermore, effective taxation has surged to 49.7% as compared to 39.2% SPLY due to the imposition of super tax.

BAFL is currently trading at CY23E PE of 2.95x. Furthermore, the scrip is trading at a CY23E P/B of 0.43x which offers a discount of 22% relative to its historical 3-year average of 0.55x. We have a **BUY** stance on the scrip with a Justified P/B based Dec-23 TP of Rs.40 which provides an upside potential of 27%. Furthermore, it also offers an attractive dividend yield of 13% which makes the total return 40%.

Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Interest earned	69,681	28,573	143.9% ▲	213,897	100,402	113.0% ▲
Interest expensed	-46,353	-16,363	183.3% ▲	-136,558	-54,134	152.3% ▲
Net Interest Income	23,328	12,210	91.1% ▲	77,340	46,268	67.2% ▲
Fee and commission income	2,889	2,178	32.7% ▲	10,842	8,001	35.5% ▲
Dividend income	395	184	114.8% ▲	1,232	603	104.4% ▲
Foreign exchange income	885	1,332	33.5% ▼	9,219	4,128	123.3% ▲
(Loss) / gain on securities	-34	939	103.7% ▼	-164	3,142	105.2% ▼
Other income	75	72	4.5% ▲	326	179	82.2% ▲
Non-Interest Income	4,330	4,830	10.4% ▼	21,786	16,254	34.0% ▲
Operating expenses	-14,552	-9,724	49.7% ▲	-49,562	-36,316	36.5% ▲
Workers' Welfare Fund	-244	-145	68.2% ▲	-907	-498	82.1% ▲
Other charges	-13	-1	762.2% ▲	-27	-26	6.5% ▲
Profit Before Provisions	12,849	7,170	79.2% ▲	48,629	25,682	89.3% ▲
Provisions	-4,332	-893	385.3% ▲	-12,468	-2,312	439.3% ▲
Profit Before Taxation	8,517	6,277	35.7% ▲	36,160	23,370	54.7% ▲
Taxation	-4,401	-2,542	73.1% ▲	-17,954	-9,154	96.1% ▲
Profit After Taxation	4,117	3,735	10.2% ▲	18,206	14,217	28.1% ▲
Earnings Per Share	2.32	2.10	10.2% ▲	10.24	8.00	28.1% ▲
Dividend	2.50	2.00	25.0% ▲	5.00	4.00	25.0% ▲
Bonus	0%	0%		0%	0%	
Closing Period: Mar 14, 2023 - Mar 20, 2023						
Operating Cost to Income	-52.6%	-57.1%	4.4% ▼	-50.0%	-58.1%	8.1% ▼
Effective Taxation	-51.7%	-40.5%	11.2% ▲	-49.7%	-39.2%	10.5% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	BAFL
TP - Dec 23	40.00
LDCP	31.4
Upside (%)	27
Free Float ('mn)	622
Market Cap. (Rs.'mn)	55,803

BAFL vs KSE 100



Interest Earned vs Expensed (Rs'bn)



Interest Earned vs Expensed (Rs'bn)



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	92,616	100,402	213,897	278,718	330,989	373,151	416,465
Mark-up / Return / Interest expensed	-47,911	-54,134	-136,558	-185,412	-209,017	-227,191	-243,752
Net Mark-up / Interest Income	44,705	46,268	77,340	93,306	121,973	145,960	172,714
Fee and commission income	6,559	8,001	10,842	11,556	12,318	13,130	13,996
Dividend income	403	603	1,232	1,579	1,006	1,144	1,311
Foreign exchange income	3,398	4,128	9,219	3,541	1,360	523	201
(Loss) / gain from derivatives	-21	201	332	0	0	0	0
(Loss) / gain on securities	2,285	3,142	-164	344	419	510	620
Other income	171	179	326	300	276	254	233
Total non-markup / interest income	12,795	16,254	21,786	17,321	15,379	15,560	16,361
Non mark-up / interest expenses							
Operating expenses	-31,443	-36,316	-49,562	-58,440	-78,013	-91,741	-107,391
Workers' Welfare Fund	-494	-498	-907	-980	-1,151	-1,354	-1,585
Other charges	-94	-26	-27	-52	-298	-336	-375
Profit Before Provisions	25,468	25,682	48,629	51,155	57,889	68,090	79,724
Provisions / (reversal of provisions)	-7,589	-2,312	-12,468	-17,329	-7,701	-9,085	-10,710
Profit before income tax	17,878	23,370	36,160	33,827	50,189	59,005	69,014
Income tax expense	-7,403	-9,154	-17,954	-14,884	-22,083	-25,962	-30,366
Profit for the year	10,475	14,217	18,206	18,943	28,106	33,043	38,648
EPS	5.89	8.00	10.24	10.66	15.81	18.59	21.75

Source: ACPL Research, Company Financials

Horizontal Analysis

Horizontal Analysis	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	0.1%	8.4%	113.0%	30.3%	18.8%	12.7%	11.6%
Mark-up / Return / Interest expensed	0.6%	13.0%	152.3%	35.8%	12.7%	8.7%	7.3%
Net Mark-up / Interest Income	-0.3%	3.5%	67.2%	20.6%	30.7%	19.7%	18.3%
Total non-markup / interest income	23.1%	27.0%	34.0%	-20.5%	-11.2%	1.2%	5.1%
Non mark-up / interest expenses							
Operating expenses	8.2%	15.5%	36.5%	17.9%	33.5%	17.6%	17.1%
Workers' Welfare Fund	-2.6%	0.8%	82.1%	8.0%	17.5%	17.6%	17.1%
Other charges	-64.9%	-73.0%	6.5%	89.8%	477.2%	12.7%	11.6%
Profit Before Provisions	0.2%	0.8%	89.3%	5.2%	13.2%	17.6%	17.1%
Provisions / (reversal of provisions)	150.6%	-69.5%	439.3%	39.0%	-55.6%	18.0%	17.9%
Profit before income tax	-20.1%	30.7%	54.7%	-6.5%	48.4%	17.6%	17.0%
Income tax expense	-23.6%	23.6%	96.1%	-17.1%	48.4%	17.6%	17.0%
Profit for the year	-17.5%	35.7%	28.1%	4.0%	48.4%	17.6%	17.0%
EPS	-17.5%	35.7%	28.1%	4.0%	48.4%	17.6%	17.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	7.15	6.15	10.35	11.70	11.49	10.71	9.93
Interest Cost	%	3.91	3.49	6.63	8.14	7.57	6.79	6.01
Net Interest Margin	%	3.24	2.66	3.72	3.57	3.92	3.92	3.92
Operating Cost to Income	%	55.71	58.92	50.94	53.76	57.85	57.84	57.83
Return on Equity	%	11.51	14.22	15.97	14.67	18.69	18.91	20.95
Return on Assets	%	0.76	0.82	0.87	0.75	0.92	0.89	0.87
Balance Sheet Analysis		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Deposits Growth	%	12.72	29.18	21.24	21.24	21.24	21.24	21.24
CASA to Deposits	%	74.53	68.40	74.04	74.04	74.04	74.04	74.04
Advances to Deposits	%	65.47	59.16	63.56	68.95	68.85	68.76	68.67
Investments to Deposits	%	62.04	71.04	65.40	55.24	51.38	48.19	45.57
PIBs to Investments	%	40.09	63.76	63.76	63.76	63.76	63.76	63.76
T Bills to Investments	%	37.73	15.56	15.56	15.56	15.56	15.56	15.56
Gross Infection Ratio	%	4.30	3.53	3.92	3.82	3.72	3.62	3.52
Provisioning Coverage	%	70.83	85.49	78.49	87.71	87.71	87.71	87.71
Net Infection Ratio	%	1.31	0.53	0.82	0.45	0.44	0.43	0.42
Capital Adequacy Ratio	%	16.53	14.43	13.67	12.92	12.50	12.07	10.78
Leverage Ratio	%	4.44	3.84	3.59	3.38	3.29	3.17	2.72
Operational Analysis		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Market Share - Deposits	%	4.93	5.43	6.05	6.46	6.90	7.37	7.87
Market Share - Advances	%	7.07	6.89	7.65	8.87	9.48	10.12	10.81
Market Share - Investments	%	4.69	5.75	5.18	5.35	5.31	5.32	5.38
No. of Branches		706	779	811	845	879	916	953
Investment Ratios		2020A	2021A	2022A	2023E	2024E	2025E	2026E
Dividend Per Share		4.00	4.00	4.00	4.00	6.00	7.50	8.50
Dividend Yield	%	12.74	12.74	12.74	12.74	19.11	23.89	27.07
Dividend Cover	x	1.47	2.00	2.56	2.66	2.64	2.48	2.56
Retention Ratio	%	32.14	50.00	60.96	60.96	60.96	60.96	60.96
Payout Ratio	%	67.86	50.00	39.04	39.04	39.04	39.04	39.04
No. of Shares	('m)	1777	1777	1777	1777	1777	1777	1777
Earnings Per Share		5.89	8.00	10.24	10.66	15.81	18.59	21.75
Book Value Per Share		51.21	56.27	64.17	72.65	84.61	98.32	103.80
Price to Earnings	x	5.33	3.93	3.07	2.95	1.99	1.69	1.44
Price to Book Value	x	0.61	0.56	0.49	0.43	0.37	0.32	0.30

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%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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