

BAFL

1HCY21 Result Review: BUY Stance Maintained

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BAFL has announced its annual result where it posted a profit after tax of Rs6.9bn (EPS: Rs3.9) as compared to profit after tax of Rs5.6bn (EPS: Rs3.14) in the same period last year, up by 24.2% YoY.

The company has posted a net interest income of Rs45.9bn against Rs49.9bn in SPLY, recording a negative growth of 8.1% YoY.

Non-interest income has 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 58% as compared to 51.4% during SPLY.

Lastly, The bank has charged the provision of Rs1.15bn which is significantly lower than the 1HCY20's tally of Rs4bn.

BAFL is currently trading at a CY21E PE of 4.37x. Furthermore, the script is trading at a CY21E P/B of 0.58x which offers a discount of 25% relative to its historical 5-year average of 0.77x. We have a **BUY** stance on the script with a Justified P/B based Jun-22 TP of Rs.42 which provides an upside potential of 32%. Furthermore, it also offers an attractive dividend yield of 12% which makes the total return of 44%.

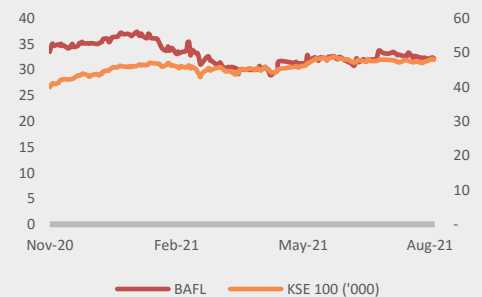
Rupees' millions	2QCY21	2QCY20	YoY	1HCY21	1HCY20	YoY
Interest earned	24,525	24,043	2.0% ▲	45,913	49,948	8.1% ▼
Interest expensed	-12,867	-12,462	3.2% ▲	-23,929	-26,587	10.0% ▼
Net Interest Income	11,658	11,580	0.7% ▲	21,985	23,361	5.9% ▼
Fee and commission income	2,090	1,308	59.8% ▲	3,951	2,960	33.5% ▲
Dividend income	191	110	74.7% ▲	324	197	64.9% ▲
Foreign exchange income	1,064	953	11.6% ▲	1,722	2,009	14.3% ▼
(Loss) / gain on securities	757	1,779	57.5% ▼	1,851	1,733	6.9% ▲
Other income	42	23	78.0% ▲	80	46	75.5% ▲
Non-Interest Income	4,142	4,173	0.7% ▼	7,976	6,882	15.9% ▲
Operating expenses	-8,932	-7,485	19.3% ▲	-17,390	-15,539	11.9% ▲
Workers' Welfare Fund	-120	-166	27.7% ▼	-229	-276	16.8% ▼
Other charges	-12	-1	781.3% ▲	-19	-43	55.3% ▼
Profit Before Provisions	6,736	8,101	16.8% ▼	12,322	14,386	14.3% ▼
Provisions	-934	-3,261	71.4% ▼	-1,150	-4,788	76.0% ▼
Profit Before Taxation	5,802	4,840	19.9% ▲	11,172	9,597	16.4% ▲
Taxation	-2,339	-2,077	12.6% ▲	-4,238	-4,013	5.6% ▲
Profit After Taxation	3,463	2,763	25.3% ▲	6,934	5,584	24.2% ▲
Earnings Per Share	1.95	1.55	25.3% ▲	3.90	3.14	24.2% ▲
Dividend	2.00	0.00		2.00	0.00	
Bonus	0%	0%		0%	0%	
Closing Period: 15 Sep 21 - 21 Sep 21						
Operating Cost to Income	-56.5%	-47.5%	9.0% ▲	-58.0%	-51.4%	6.7% ▲
Effective Taxation	-40.3%	-42.9%	2.6% ▼	-37.9%	-41.8%	3.9% ▼

Source: ACPL Research, Company Financials

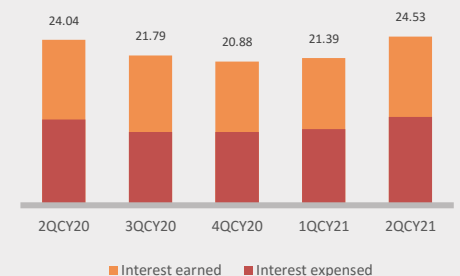
Key Statistics

Symbol	BAFL
TP - Jun 22	42.00
LDCP	32.11
Upside (%)	32
Free Float ('mn)	711
Market Cap. (Rs.'mn)	57,056

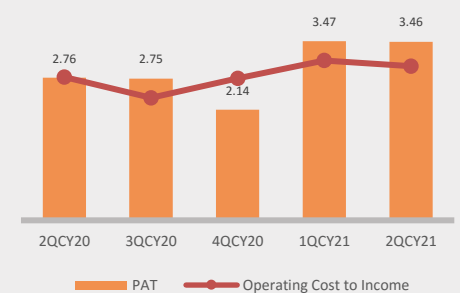
BAFL vs KSE 100



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	85,453	91,846	103,062
Mark-up / Return / Interest expensed	-32,811	-28,474	-27,199	-27,727	-47,623	-47,911	-44,068	-49,610	-55,856
Net Mark-up / Interest Income	28,627	28,770	28,976	31,591	44,857	44,705	41,385	42,236	47,206
Fee and commission income	4,384	4,668	6,013	6,292	7,034	6,559	7,346	8,228	9,215
Dividend income	514	585	460	576	339	403	534	571	613
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	3,817	4,224	4,683
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	13,915	15,345	16,999
Non mark-up / interest expenses									
Operating expenses	-21,956	-23,423	-24,672	-23,967	-29,066	-31,443	-33,733	-35,125	-39,165
Workers' Welfare Fund	-330	-118	-259	-392	-508	-494	-409	-426	-475
Other charges	0	0	-33	-6	-269	-94	-87	-94	-105
Profit Before Provisions	15,203	14,097	13,089	17,426	25,410	25,468	21,071	21,937	24,460
Provisions / (reversal of provisions)	-2,599	-1,073	616	-588	-3,029	-7,589	-966	-1,463	-1,511
Profit before income tax	12,604	13,023	13,705	16,838	22,382	17,878	20,105	20,474	22,949
Income tax expense	-5,081	-5,123	-5,539	-6,687	-9,686	-7,403	-7,037	-7,166	-8,032
Profit for the year	7,523	7,900	8,166	10,150	12,696	10,475	13,068	13,308	14,917
EPS	4.23	4.45	4.60	5.71	7.14	5.89	7.35	7.49	8.39

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%	-7.73%	7.48%	12.21%
Mark-up / Return / Interest expensed	-2.07%	-13.22%	-4.48%	1.94%	71.76%	0.60%	-8.02%	12.58%	12.59%
Net Mark-up / Interest Income	30.88%	0.50%	0.72%	9.02%	41.99%	-0.34%	-7.43%	2.06%	11.77%
Fee and commission income	40.53%	6.47%	28.81%	4.63%	11.80%	-6.75%	12.00%	12.00%	12.00%
Dividend income	4.48%	13.69%	-21.29%	25.14%	-41.15%	18.96%	32.45%	6.97%	7.35%
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%	67.07%	10.66%	10.86%
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%	8.76%	10.28%	10.78%
Non mark-up / interest expenses									
Operating expenses	8.37%	6.68%	5.33%	-2.86%	21.28%	8.18%	7.28%	4.13%	11.50%
Workers' Welfare Fund	59.81%	-64.10%	118.65%	51.46%	29.48%	-2.61%	-17.23%	4.13%	11.50%
Other charges	0.00%	0.00%	0.00%	-80.35%	4086.67%	-64.90%	-7.73%	7.48%	12.21%
Profit Before Provisions	45.59%	-7.28%	-7.15%	33.14%	45.82%	0.22%	-17.26%	4.11%	11.50%
Provisions / (reversal of provisions)	34.7%	-58.7%	-157.4%	-195.5%	414.7%	150.6%	-87.3%	51.5%	3.3%
Profit before income tax	48.05%	3.33%	5.24%	22.86%	32.93%	-20.12%	12.46%	1.84%	12.09%
Income tax expense	76.88%	0.83%	8.11%	20.74%	44.84%	-23.57%	-4.95%	1.84%	12.09%
Profit for the year	33.36%	5.01%	3.37%	24.30%	25.08%	-17.49%	24.76%	1.84%	12.09%
EPS	33.36%	5.01%	3.37%	24.30%	25.08%	-17.49%	24.76%	1.84%	12.09%

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	7.15	5.86	5.61	5.60
Interest Cost	%	3.94	3.39	3.10	3.17	5.21	3.91	3.19	3.19	3.19
Net Interest Margin	%	3.31	3.24	3.04	3.27	4.28	3.24	2.67	2.42	2.42
Operating Cost to Income	%	59.45	62.55	65.60	58.30	54.01	55.71	61.90	61.90	61.90
Return on Equity	%	14.10	13.14	12.41	13.42	14.42	11.51	13.17	12.57	13.05
Return on Assets	%	0.83	0.86	0.82	1.01	1.19	0.76	0.84	0.76	0.76
Balance Sheet Analysis		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Deposits Growth	%	5.65	0.12	0.63	8.98	11.29	12.72	12.72	12.72	12.72
CASA to Deposits	%	70.06	79.99	73.51	70.62	71.94	74.53	74.53	74.53	74.53
Advances to Deposits	%	52.20	59.09	62.12	71.37	65.35	65.47	70.61	70.45	70.30
Investments to Deposits	%	66.09	60.71	62.13	39.50	38.23	62.04	58.55	55.56	52.92
PIBs to Investments	%	55.64	64.25	35.64	19.90	43.07	40.09	40.09	40.09	40.09
T Bills to Investments	%	22.73	14.71	47.73	59.28	32.51	37.73	37.73	37.73	37.73
Gross Infection Ratio	%	5.27	4.80	4.21	3.63	4.23	4.30	4.00	3.80	3.60
Provisioning Coverage	%	83.73	86.06	89.22	84.39	79.14	70.83	70.83	70.83	70.83
Net Infection Ratio	%	0.90	0.70	0.47	0.59	0.91	1.31	1.13	1.07	1.02
Capital Adequacy Ratio	%	13.27	13.18	13.39	14.95	16.88	16.53	15.96	15.30	14.81
Leverage Ratio	%	3.41	3.46	4.06	5.64	5.83	4.44	4.21	4.02	3.88
Operational Analysis		2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Market Share - Deposits	%	6.88	5.72	5.22	5.26	5.35	4.93	4.92	4.91	4.89
Market Share - Advances	%	7.33	7.10	6.39	6.57	6.50	7.07	7.05	7.03	7.02
Market Share - Investments	%	6.23	5.27	4.66	3.68	3.35	4.69	4.42	4.19	3.98
No. of Branches		653	639	638	649	698	706	714	722	731
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	%	3.11	0.00	4.67	7.79	12.46	12.46	12.46	14.01	14.01
Dividend Cover	x	4.23	0.00	3.06	2.28	1.79	1.47	1.84	1.66	1.87
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	7.35	7.49	8.39
Book Value Per Share		30.02	33.83	37.03	42.57	49.53	51.21	55.81	59.57	64.32
Price to Earnings	x	7.59	7.22	6.99	5.62	4.49	5.45	4.37	4.29	3.83
Price to Book Value	x	1.07	0.95	0.87	0.75	0.65	0.63	0.58	0.54	0.50

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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Stock Rating	Expected Total Return
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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