

BAFL

9M CY22 Result Review: BUY Stance Maintained

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BAFL has announced its 9M CY22 result where it posted a profit after tax of Rs14.09bn (EPS: Rs7.93) as compared to a profit after tax of Rs10.48bn (EPS: Rs5.9) in the same period last year, up by 34.4% YoY.

The bank has posted a net interest income of Rs54.01bn against Rs34.06bn in SPLY, recording a growth of 58.6% YoY. We note that this growth is attributed to the increase in interest earned. Non-interest income has increased by 52.8% YoY to Rs17.46bn as compared to Rs11.42bn during SPLY, mainly due to an increase in Fee and Commission Income and foreign exchange income.

Furthermore, the operating cost-to-income ratio has decreased to 49% as compared to 58.5% during SPLY.

The bank has charged the provision of Rs8.14bn which is almost six times higher than the SPLY's tally of Rs1.42bn. Furthermore, effective taxation has surged to 49% as compared to 38.7% SPLY due to the imposition of super tax.

BAFL is currently trading at CY22E PE of 2.81x. Furthermore, the scrip is trading at a CY22E P/B of 0.50x which offers a discount of 15% relative to its historical 3-year average of 0.60x. We have a **BUY** stance on the scrip with a Justified P/B based Jun-23 TP of Rs.40 which provides an upside potential of 27%. Furthermore, it also offers an attractive dividend yield of 17% which makes the total return 44%.

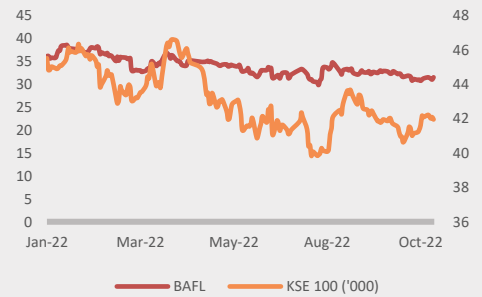
Rupees' millions	3QCY22	3QCY21	YoY	9M CY22	9M CY21	YoY
Interest earned	61,586	25,817	138.5% ▲	144,216	71,829	100.8% ▲
Interest expensed	-39,717	-13,843	186.9% ▲	-90,205	-37,771	138.8% ▲
Net Interest Income	21,869	11,974	82.6% ▲	54,012	34,058	58.6% ▲
Fee and commission income	2,793	1,971	41.7% ▲	7,953	5,823	36.6% ▲
Dividend income	171	95	80.3% ▲	838	419	99.8% ▲
Foreign exchange income	3,482	1,075	223.9% ▲	8,333	2,796	198.0% ▲
(Loss) / gain on securities	-48	352	113.7% ▼	-130	2,204	105.9% ▼
Other income	47	27	72.1% ▲	251	107	134.1% ▲
Non-Interest Income	6,555	3,547	84.8% ▲	17,456	11,424	52.8% ▲
Operating expenses	-13,299	-9,202	44.5% ▲	-35,010	-26,592	31.7% ▲
Workers' Welfare Fund	-240	-124	93.3% ▲	-663	-353	87.8% ▲
Other charges	-7	-5	41.2% ▲	-14	-24	40.6% ▼
Profit Before Provisions	14,878	6,190	140.4% ▲	35,780	18,512	93.3% ▲
Provisions	-4,095	-269	1423.6% ▲	-8,137	-1,419	473.3% ▲
Profit Before Taxation	10,783	5,921	82.1% ▲	27,643	17,093	61.7% ▲
Taxation	-5,396	-2,374	127.4% ▲	-13,553	-6,612	105.0% ▲
Profit After Taxation	5,387	3,548	51.8% ▲	14,090	10,481	34.4% ▲
Earnings Per Share	3.03	2.00	51.8% ▲	7.93	5.90	34.4% ▲
Dividend	0.00	0.00	-	2.50	2.00	25.0% ▲
Bonus	0%	0%	-	0%	0%	-
Operating Cost to Income	-46.8%	-59.3%	12.5% ▼	-49.0%	-58.5%	9.5% ▼
Effective Taxation	-50.0%	-40.1%	10.0% ▲	-49.0%	-38.7%	10.3% ▲

Source: ACPL Research, Company Financials

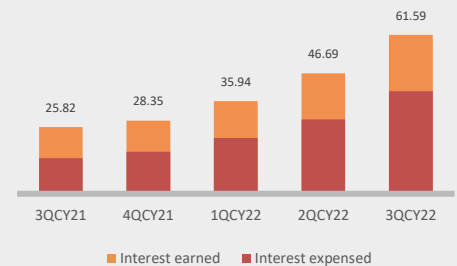
Key Statistics

Symbol	BAFL
TP - Jun 23	40.00
LDCP	31.5
Upside (%)	27
Free Float ('mn)	622
Market Cap. (Rs.'mn)	56,567

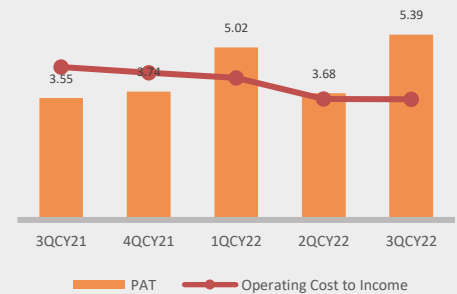
BAFL vs KSE 100



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	2020	2021A	2022E	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	92,616	100,182	192,248	221,171	228,189	232,020	233,836
Mark-up / Return / Interest expensed	-47,911	-54,134	-118,349	-142,196	-141,572	-137,179	-130,522
Net Mark-up / Interest Income	44,705	46,048	73,899	78,975	86,617	94,841	103,314
Fee and commission income	6,559	8,221	10,605	11,963	13,494	15,222	17,171
Dividend income	403	603	1,143	684	724	769	817
Foreign exchange income	3,398	4,128	11,146	17,662	27,988	44,352	70,284
(Loss) / gain from derivatives	-21	201	211	0	0	0	0
(Loss) / gain on securities	2,285	3,142	-130	-143	-158	-174	-192
Other income	171	179	250	280	313	349	390
Total non-markup / interest income	12,795	16,474	23,225	30,445	42,362	60,518	88,470
Non mark-up / interest expenses							
Operating expenses	-31,443	-36,316	-46,814	-59,289	-69,886	-84,181	-103,917
Workers' Welfare Fund	-494	-498	-916	-912	-1,075	-1,295	-1,599
Other charges	-94	-26	-19	-22	-23	-23	-23
Profit Before Provisions	25,468	25,682	49,376	49,197	57,994	69,860	86,245
Provisions / (reversal of provisions)	-7,589	-2,312	-10,624	-2,313	-2,468	-2,631	-2,802
Profit before income tax	17,878	23,370	38,752	46,884	55,526	67,229	83,442
Income tax expense	-7,403	-9,154	-18,795	-21,098	-24,986	-30,253	-37,549
Profit for the year	10,475	14,217	19,957	25,786	30,539	36,976	45,893
EPS	5.89	8.00	11.23	14.51	17.18	20.81	25.82

Source: ACPL Research, Company Financials

Horizontal Analysis

Horizontal Analysis	2020	2021A	2022E	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	0.1%	8.2%	91.9%	15.0%	3.2%	1.7%	0.8%
Mark-up / Return / Interest expensed	0.6%	13.0%	118.6%	20.1%	-0.4%	-3.1%	-4.9%
Net Mark-up / Interest Income	-0.3%	3.0%	60.5%	6.9%	9.7%	9.5%	8.9%
Total non-markup / interest income	23.1%	28.8%	41.0%	31.1%	39.1%	42.9%	46.2%
Non mark-up / interest expenses							
Operating expenses	8.2%	15.5%	28.9%	26.6%	17.9%	20.5%	23.4%
Workers' Welfare Fund	-2.6%	0.8%	83.7%	-0.4%	17.9%	20.5%	23.4%
Other charges	-64.9%	-73.0%	-24.7%	15.0%	3.2%	1.7%	0.8%
Profit Before Provisions	0.2%	0.8%	92.3%	-0.4%	17.9%	20.5%	23.5%
Provisions / (reversal of provisions)	150.6%	-69.5%	359.5%	-78.2%	6.7%	6.6%	6.5%
Profit before income tax	-20.1%	30.7%	65.8%	21.0%	18.4%	21.1%	24.1%
Income tax expense	-23.6%	23.6%	105.3%	12.3%	18.4%	21.1%	24.1%
Profit for the year	-17.5%	35.7%	40.4%	29.2%	18.4%	21.1%	24.1%
EPS	-17.5%	35.7%	40.4%	29.2%	18.4%	21.1%	24.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2020	2021A	2022E	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	7.15	6.15	10.62	11.10	10.39	9.58	8.78
Interest Cost	%	3.91	3.49	6.88	7.52	6.81	6.00	5.19
Net Interest Margin	%	3.24	2.66	3.74	3.58	3.58	3.58	3.59
Operating Cost to Income	%	55.71	58.92	49.16	55.04	55.04	55.03	55.03
Return on Equity	%	11.51	14.22	17.86	20.54	21.44	22.77	25.74
Return on Assets	%	0.76	0.82	1.04	1.22	1.31	1.44	1.62
Balance Sheet Analysis		2020	2021A	2022E	2023E	2024E	2025E	2026E
Deposits Growth	%	12.72	29.18	10.00	10.00	10.00	10.00	10.00
CASA to Deposits	%	74.53	68.40	73.00	73.00	73.00	73.00	73.00
Advances to Deposits	%	65.47	59.16	63.92	63.84	63.75	63.67	63.60
Investments to Deposits	%	62.04	71.04	67.84	65.16	62.72	60.50	58.49
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	4.02	3.92	3.82	3.72	3.62
Provisioning Coverage	%	70.83	85.49	90.00	90.00	90.00	90.00	90.00
Net Infection Ratio	%	1.31	0.53	0.39	0.38	0.37	0.36	0.35
Capital Adequacy Ratio	%	16.53	14.43	14.50	14.75	15.14	15.59	15.57
Leverage Ratio	%	4.44	3.84	3.87	4.01	4.20	4.42	4.45
Operational Analysis		2020	2021A	2022E	2023E	2024E	2025E	2026E
Market Share - Deposits	%	4.93	5.43	5.26	5.10	4.94	4.79	4.64
Market Share - Advances	%	7.07	6.89	6.68	6.47	6.27	6.08	5.89
Market Share - Investments	%	4.69	5.75	5.34	4.97	4.64	4.34	4.06
No. of Branches		706	779	860	948	1046	1155	1274
Investment Ratios		2020	2021A	2022E	2023E	2024E	2025E	2026E
Dividend Per Share		4.00	4.00	5.50	7.50	8.50	10.50	13.00
Dividend Yield	%	12.70	12.70	17.46	23.81	26.98	33.33	41.27
Dividend Cover	x	1.47	2.00	2.04	1.93	2.02	1.98	1.99
Retention Ratio	%	32.14	50.00	50.00	50.00	50.00	50.00	50.00
Payout Ratio	%	67.86	50.00	50.00	50.00	50.00	50.00	50.00
No. of Shares	('m)	1777	1777	1777	1777	1777	1777	1777
Earnings Per Share		5.89	8.00	11.23	14.51	17.18	20.81	25.82
Book Value Per Share		51.21	56.27	62.88	70.65	80.16	91.38	100.31
Price to Earnings	x	5.34	3.94	2.81	2.17	1.83	1.51	1.22
Price to Book Value	x	0.62	0.56	0.50	0.45	0.39	0.34	0.31

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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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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