

BAFL has announced its annual result where it posted a profit after tax of Rs14.21bn (EPS: Rs8.0) as compared to profit after tax of Rs10.48bn (EPS: Rs5.89) in the same period last year, up by 35.7% YoY.

The bank has posted a net interest income of Rs46.05bn against Rs44.71bn in SPLY, recording a growth of 3% YoY. We note that this growth is attributed to the increase in interest earned. Non-interest income has increased by 28.8% YoY to Rs16.47bn as compared to Rs12.79bn during SPLY, mainly due to increase in Fee and Commission Income.

Furthermore, the operating cost to income ratio has been increased to 58.1% as compared to 54.7% during SPLY.

The bank has charged the provision of Rs2.3bn which is significantly lower than the CY20's tally of Rs7.58bn.

BAFL is currently trading at CY22E PE of 4.05x. Furthermore, the scrip is trading at a CY22E P/B of 0.61x which offers a discount of 16% relative to its historical 3-year average of 0.72x. We have a **BUY** stance on the script with a Justified P/B based Dec-22 TP of Rs.45 which provides an upside potential of 20%. Furthermore, it also offers an attractive dividend yield of 12% which makes the total return 32%.

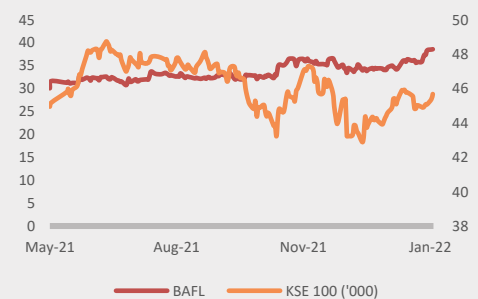
Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Interest earned	28,518	20,880	36.6% ▲	100,182	92,616	8.2% ▲
Interest expensed	-16,363	-10,643	53.7% ▲	-54,134	-47,911	13.0% ▲
Net Interest Income	12,155	10,238	18.7% ▲	46,048	44,705	3.0% ▲
Fee and commission income	2,233	1,768	26.3% ▲	8,221	6,559	25.3% ▲
Dividend income	184	149	23.0% ▲	603	403	49.5% ▲
Foreign exchange income	1,332	636	109.4% ▲	4,128	3,398	21.5% ▲
(Loss) / gain on securities	939	100	839.2% ▲	3,142	2,285	37.5% ▲
Other income	72	79	9.7% ▼	179	171	4.9% ▲
Non-Interest Income	4,885	2,771	76.3% ▲	16,474	12,795	28.8% ▲
Operating expenses	-9,724	-8,060	20.6% ▲	-36,316	-31,443	15.5% ▲
Workers' Welfare Fund	-145	-88	64.3% ▲	-498	-494	0.8% ▲
Other charges	-1	-7	78.1% ▼	-26	-94	73.0% ▼
Profit Before Provisions	7,170	4,853	47.7% ▲	25,682	25,468	0.8% ▲
Provisions	-893	-1,310	31.9% ▼	-2,312	-7,589	69.5% ▼
Profit Before Taxation	6,277	3,543	77.2% ▲	23,370	17,878	30.7% ▲
Taxation	-2,542	-1,399	81.7% ▲	-9,154	-7,403	23.6% ▲
Profit After Taxation	3,735	2,143	74.3% ▲	14,217	10,475	35.7% ▲
Earnings Per Share	2.10	1.21	74.3% ▲	8.00	5.89	35.7% ▲
Dividend	2.00	2.00	-	4.00	4.00	-
Bonus	0%	0%	-	0%	0%	-
Closing Period: 9 Mar 2022 – 15 Mar 2022						
Operating Cost to Income	-57.1%	-62.0%	4.9% ▼	-58.1%	-54.7%	3.4% ▲
Effective Taxation	-40.5%	-39.5%	1.0% ▲	-39.2%	-41.4%	2.2% ▼

Source: ACPL Research, Company Financials

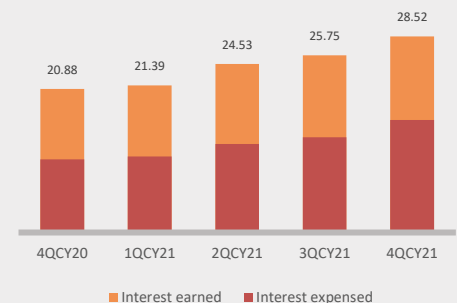
Key Statistics

Symbol	BAFL
TP - Dec 22	45.00
LDCP	37.76
Upside (%)	20
Free Float ('mn)	622
Market Cap. (Rs.'mn)	67,461

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	2019	2020	2021	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	92,481	92,616	100,182	115,206	137,491	155,527	175,416
Mark-up / Return / Interest expensed	-47,623	-47,911	-54,134	-67,199	-81,682	-92,312	-103,962
Net Mark-up / Interest Income	44,857	44,705	46,048	48,007	55,809	63,215	71,454
Fee and commission income	7,034	6,559	8,221	10,303	12,913	16,185	20,285
Dividend income	339	403	603	645	692	746	806
Foreign exchange income	2,826	3,398	4,128	3,017	2,830	3,061	3,210
(Loss) / gain from derivatives	-68	-21	201	0	0	0	0
(Loss) / gain on securities	84	2,285	3,142	3,477	3,855	4,280	4,760
Other income	180	171	179	188	197	206	216
Total non-markup / interest income	10,396	12,795	16,474	17,630	20,487	24,478	29,277
Non mark-up / interest expenses							
Operating expenses	-29,066	-31,443	-36,316	-38,125	-44,317	-50,937	-58,510
Workers' Welfare Fund	-508	-494	-498	-523	-608	-699	-803
Other charges	-269	-94	-26	-29	-35	-40	-45
Profit Before Provisions	25,410	25,468	25,682	26,959	31,337	36,018	41,374
Provisions / (reversal of provisions)	-3,029	-7,589	-2,312	-1,463	-1,511	-1,548	-1,571
Profit before income tax	22,382	17,878	23,370	25,496	29,825	34,469	39,803
Income tax expense	-9,686	-7,403	-9,154	-8,924	-10,439	-12,064	-13,931
Profit for the year	12,696	10,475	14,217	16,573	19,386	22,405	25,872
EPS	7.14	5.89	8.00	9.33	10.91	12.61	14.56

Source: ACPL Research, Company Financials

Horizontal Analysis

Horizontal Analysis	2019	2020	2021A	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	55.9%	0.1%	8.2%	15.0%	19.3%	13.1%	12.8%
Mark-up / Return / Interest expensed	71.8%	0.6%	13.0%	24.1%	21.6%	13.0%	12.6%
Net Mark-up / Interest Income	42.0%	-0.3%	3.0%	4.3%	16.3%	13.3%	13.0%
Total non-markup / interest income	1.9%	23.1%	28.8%	7.0%	16.2%	19.5%	19.6%
Non mark-up / interest expenses							
Operating expenses	21.3%	8.2%	15.5%	5.0%	16.2%	14.9%	14.9%
Workers' Welfare Fund	29.5%	-2.6%	0.8%	5.0%	16.2%	14.9%	14.9%
Other charges	4086.7%	-64.9%	-73.0%	15.0%	19.3%	13.1%	12.8%
Profit Before Provisions	45.8%	0.2%	0.8%	5.0%	16.2%	14.9%	14.9%
Provisions / (reversal of provisions)	414.7%	150.6%	-69.5%	-36.7%	3.3%	2.5%	1.4%
Profit before income tax	32.9%	-20.1%	30.7%	9.1%	17.0%	15.6%	15.5%
Income tax expense	44.8%	-23.6%	23.6%	-2.5%	17.0%	15.6%	15.5%
Profit for the year	25.1%	-17.5%	35.7%	16.6%	17.0%	15.6%	15.5%
EPS	25.1%	-17.5%	35.7%	16.6%	17.0%	15.6%	15.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Yield on Earning Assets	%	9.49	7.15	5.86	7.02	7.45	7.48	7.50
Interest Cost	%	5.21	3.91	3.19	4.32	4.66	4.67	4.67
Net Interest Margin	%	4.28	3.24	2.67	2.70	2.79	2.81	2.83
Operating Cost to Income	%	54.01	55.71	58.92	58.93	58.93	58.93	58.93
Return on Equity	%	14.42	11.51	14.17	15.03	15.97	16.72	17.43
Return on Assets	%	1.19	0.76	0.91	0.95	0.98	1.01	1.04
Balance Sheet Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
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	16.11	15.82	15.55	15.32	15.13
Leverage Ratio	%	5.83	4.44	4.26	4.21	4.16	4.12	4.09
Operational Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
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	729	753	777	803	829
Investment Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Dividend Per Share		4.00	4.00	4.00	4.50	5.50	6.50	7.50
Dividend Yield	%	10.59	10.59	10.59	11.92	14.57	17.21	19.86
Dividend Cover	x	1.79	1.47	2.00	2.07	1.98	1.94	1.94
Retention Ratio	%	44.01	32.14	50.00	50.00	50.00	50.00	50.00
Payout Ratio	%	55.99	67.86	50.00	50.00	50.00	50.00	50.00
No. of Shares	('m)	1777	1777	1777	1777	1777	1777	1777
Earnings Per Share		7.14	5.89	8.00	9.33	10.91	12.61	14.56
Book Value Per Share		49.53	51.21	56.46	62.05	68.32	75.40	83.55
Price to Earnings	x	5.29	6.41	4.72	4.05	3.46	3.00	2.59
Price to Book Value	x	0.76	0.74	0.67	0.61	0.55	0.50	0.45

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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SELL	Less than and equal to -5%

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