

BAFL 2QCY22 earnings grow 6%YoY – Above expectations

- BAFL announced 2QCY22 unconsolidated profit of PKR3,685mn (EPS PKR2.07) compared to a PAT of PKR3,463mn (EPS PKR1.95) of the same quarter last year and PKR5,019mn (EPS PKR2.82) of the previous quarter, representing a growth of 6%YoY and a decline of 27%QoQ, respectively.
- The earnings came above our expectations primarily due to higher than expected core income, despite higher than expected operating expenses, and provisions.
- The bank announced first interim cash dividend of PKR2.5/share maintaining payout ratio of ~51% from the same period last year.
- NII of the bank came better than expected and recorded a growth of 52%YoY/25%QoQ. The out-performance of NII to expectations may be attributed to better than expected returns on investments primarily on T-bills and floating rate bonds.
- Non-interest income recorded a massive growth of 61%YoY/49%QoQ, over-shooting expectations, primarily due to foreign exchange income amounting to PKR3,421mn compared to PKR1,064mn of 2QCY21 and PKR1,431mn of the previous quarter.
- We highlighted in our preview note that FX income may positively surprise as was seen in the cases of HBL and UBL. We attribute this growth to increased trade activities in value terms and volatility in PKR/USD parity.
- Operating expenses reported an increase of 28%YoY/11%QoQ. We estimated an 18%YoY growth in operating expenses.
- Cost/income ratio on the other hand portrays a positive picture where it stood at 47% compared to 57% of the same quarter last year and 55% of the previous quarter. The improvement is due to higher growth in total income, 54%YoY/31%QoQ.
- The bank booked PKR3.7bn as provisions compared to PKR934mn of 2QCY21 and PKR387mn of 1QCY22. Majority of this charge is attributable to additional general provisions, which would positively impact coverage and CAR.
- Effective tax rate for the quarter stood at 59% compared to 40% of 2QCY21 and 36% of 1QCY22.
- For 1HCY22, BAFL earnings improved by 26%YoY to a PAT of PKR8,703mn (EPS PKR4.9) compared to a PAT of PKR6,934mn (EPS PKR3.9) of the same period last year.

BAFL Financial Highlights

| PKRmn | 2QCY22 | YoY | 1QCY22 | QoQ | 1HCY22 | YoY |
|----------------------------|---------------|------------|---------------|-------------|---------------|------------|
| Interest Earned | 46,688 | 90% | 35,942 | 30% | 82,631 | 80% |
| Interest Expensed | 28,835 | 124% | 21,653 | 33% | 50,488 | 111% |
| Net Interest Income | 17,854 | 52% | 14,289 | 25% | 32,143 | 46% |
| Fee, Commission etc. | 2,686 | 35% | 2,474 | 9% | 5,159 | 34% |
| Dividend Income | 442 | 131% | 225 | 97% | 666 | 106% |
| FX Income | 3,421 | 222% | 1,431 | 139% | 4,852 | 182% |
| Capital Gains/(Losses) | -93 | n/a | 12 | n/a | -82 | n/a |
| Others | 64 | 59% | 241 | -74% | 305 | 139% |
| Non-Interest Income | 6,519 | 61% | 4,382 | 49% | 10,901 | 38% |
| Total Income | 24,373 | 54% | 18,671 | 31% | 43,044 | 44% |
| Operating Expenses | 11,429 | 28% | 10,282 | 11% | 21,711 | 25% |
| Other Items | 269 | 103% | 162 | 66% | 431 | 74% |
| Provisions | 3,654 | 291% | 387 | 844% | 4,041 | 251% |
| Profit Before Tax | 9,021 | 55% | 7,839 | 15% | 16,860 | 51% |
| Tax | 5,336 | 128% | 2,821 | 89% | 8,157 | 92% |
| PAT | 3,685 | 6% | 5,019 | -27% | 8,703 | 26% |
| EPS | 2.07 | | 2.82 | | 4.90 | |
| DPS | 2.50 | | - | | 2.50 | |

Source: Company Accounts, NEXT Capital Research

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