

BOP

1HCY22 Result Review: BUY Stance Maintained

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BOP has announced its 1HCY22 result where it posted a profit after tax of Rs5.421bn (EPS: Rs1.82) as compared to a profit after tax of Rs5.60bn (EPS: Rs1.88) in the same period last year, down by 3.2% YoY.

The bank has posted a net interest income of Rs15.86bn against Rs13.88bn in SPLY, recording a growth of 14.3% YoY due to an increase in interest rate.

Non-interest income has decreased by 18% YoY to Rs3.60bn as compared to Rs4.39bn during SPLY, mainly due to the loss on securities.

The operating cost to income ratio has increased to 71.2% as compared to 55.5% during SPLY. Lastly, the bank has booked a reversal of Rs2.94bn as compared to a provision of Rs0.59bn during SPLY.

BOP is currently trading at CY22E PE of 1.58x. Furthermore, the scrip is trading at a CY22E P/B of 0.28x which offers a discount of 19% relative to its historical 3-year average of 0.34x. We recommend our investors to **BUY** the scrip with a Justified PB Jun-23 TP of Rs.7 which provides an upside potential of 20%.

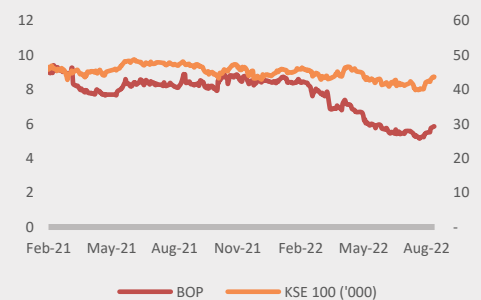
Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Interest earned	32,088	19,460	64.9% ▲	58,880	38,865	51.5% ▲
Interest expensed	-24,337	-12,446	95.5% ▲	-43,016	-24,984	72.2% ▲
Net Interest Income	7,751	7,014	10.5% ▲	15,864	13,882	14.3% ▲
Fee and commission income	1,983	1,375	44.2% ▲	3,355	2,492	34.6% ▲
Dividend income	57	49	16.7% ▲	221	105	110.4% ▲
Foreign exchange income	557	66	743.3% ▲	686	141	387.2% ▲
(Loss) / gain on securities	-737	353	309.0% ▼	-861	1,615	153.3% ▼
Other income	65	11	494.0% ▲	198	35	458.2% ▲
Non-Interest Income	1,925	1,854	3.8% ▲	3,599	4,388	18.0% ▼
Operating expenses	-6,562	-4,742	38.4% ▲	-13,862	-10,142	36.7% ▲
Workers' Welfare Fund	-85	-102	16.6% ▼	-147	-167	12.2% ▼
Other charges	-30	0	8360.2% ▲	-34	-1	6631.9% ▲
Profit Before Provisions	3,000	4,024	25.5% ▼	5,419	7,960	31.9% ▼
Provisions	1,876	278	574.0% ▲	2,940	-591	597.4% ▼
Profit Before Taxation	4,876	4,302	13.3% ▲	8,360	7,369	13.4% ▲
Taxation	-1,616	-537	200.8% ▲	-2,939	-1,771	65.9% ▲
Profit After Taxation	3,260	3,765	13.4% ▼	5,421	5,598	3.2% ▼
Earnings Per Share	1.10	1.27	13.4% ▼	1.82	1.88	3.2% ▼
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Operating Cost to Income	-67.8%	-53.5%	14.3% ▲	-71.2%	-55.5%	15.7% ▲
Effective Taxation	-33.1%	-12.5%	20.6% ▲	-35.2%	-24.0%	11.1% ▲

Source: ACPL Research, Company Financials

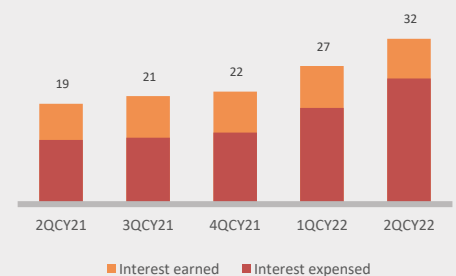
Key Statistics

Symbol	BOP
TP - Jun 23	7.00
LDPC	5.85
Upside (%)	20
Free Float ('mn)	1,256
Market Cap. (Rs.'mn)	17,220

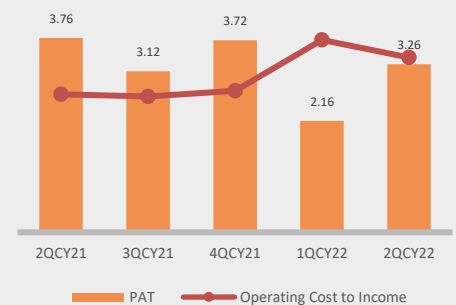
BOP vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118
Email: mahmed@abbasiandcompany.com

Financial Projections

Rupees' millions	CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	80,867	86,019	81,651	125,811	153,347	174,190	201,375
Mark-up / Return / Interest expensed	-54,110	-62,694	-51,775	-93,295	-118,350	-137,148	-158,956
Net Mark-up / Interest Income	26,757	23,325	29,876	32,516	34,997	37,042	42,419
Fee and commission income	3,530	3,732	5,103	6,635	7,920	9,454	11,286
Dividend income	104	137	377	445	508	580	664
Foreign exchange income	11	328	577	1,269	762	884	1,027
(Loss) / gain from derivatives	0	0	0	0	0	0	0
(Loss) / gain on securities	222	8,466	1,786	-1,730	610	-262	-280
Other income	73	382	61	305	49	8	1
Total non-markup / interest income	3,940	13,046	7,904	6,924	9,848	10,665	12,698
Non mark-up / interest expenses							
Operating expenses	-14,453	-16,880	-20,637	-27,608	-26,907	-28,624	-33,070
Workers' Welfare Fund	-285	-335	-363	-296	-269	-286	-331
Other charges	-139	-304	-13	-64	-70	-77	-85
Profit Before Provisions	15,820	18,852	16,766	11,473	17,599	18,719	21,631
Provisions / (reversal of provisions)	-1,776	-6,862	1,642	5,529	-1,071	-735	-338
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	14,044	11,989	18,408	17,002	16,528	17,985	21,293
Income tax expense	-5,795	-5,046	-5,968	-5,976	-6,471	-7,041	-8,336
Profit for the year	8,249	6,944	12,440	11,026	10,058	10,944	12,957
EPS	2.77	2.33	4.18	3.71	3.38	3.68	4.36

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	72.4%	6.4%	-5.1%	54.1%	21.9%	13.6%	15.6%
Mark-up / Return / Interest expensed	101.6%	15.9%	-17.4%	80.2%	26.9%	15.9%	15.9%
Net Mark-up / Interest Income	33.4%	-12.8%	28.1%	8.8%	7.6%	5.8%	14.5%
Total non-markup / interest income	7.3%	231.1%	-39.4%	-12.4%	42.2%	8.3%	19.1%
Non mark-up / interest expenses							
Operating expenses	14.6%	16.8%	22.3%	33.8%	-2.5%	6.4%	15.5%
Workers' Welfare Fund	0.0%	17.5%	8.5%	-18.6%	-9.0%	6.4%	15.5%
Other charges	158.9%	119.4%	-95.6%	375.0%	10.0%	10.0%	10.0%
Profit Before Provisions	43.0%	19.2%	-11.1%	-31.6%	53.4%	6.4%	15.6%
Provisions / (reversal of provisions)	-254.7%	286.4%	-123.9%	236.7%	-119.4%	-31.4%	-53.9%
Profit before income tax	15.0%	-14.6%	53.5%	-7.6%	-2.8%	8.8%	18.4%
Income tax expense	24.8%	-12.9%	18.3%	0.1%	8.3%	8.8%	18.4%
Profit for the year	9.1%	-15.8%	79.2%	-11.4%	-8.8%	8.8%	18.4%
EPS	9.1%	-15.8%	79.2%	-11.4%	-8.8%	8.8%	18.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Yield on Earning Assets	%	9.98	8.26	7.21	9.20	9.78	9.68	9.74
Interest Cost	%	6.93	6.26	4.74	7.44	8.14	8.13	8.13
Net Interest Margin	%	3.05	2.00	2.47	1.77	1.65	1.55	1.61
Operating Cost to Income	%	48.46	48.17	55.62	70.91	60.76	60.76	60.75
Return on Equity	%	17.67	13.29	22.69	17.55	14.41	14.09	14.80
Return on Assets	%	0.95	0.63	1.04	0.76	0.61	0.58	0.59
Balance Sheet Analysis		CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Deposits Growth	%	16.02	20.85	20.10	16.01	16.01	16.01	16.01
CASA to Deposits	%	66.95	64.62	63.44	52.27	59.87	59.87	59.87
Advances to Deposits	%	55.47	46.84	48.30	57.01	56.53	56.07	55.66
Investments to Deposits	%	52.31	67.99	53.01	52.24	51.34	50.57	49.90
PIBs to Investments	%	58.78	37.42	72.46	36.63	36.63	36.63	36.63
T Bills to Investments	%	37.18	58.55	23.32	23.32	23.32	23.32	23.32
Gross Infection Ratio	%	11.98	12.93	9.74	8.74	8.04	7.34	6.64
Provisioning Coverage	%	87.84	83.58	89.76	75.00	71.00	67.00	63.00
Net Infection Ratio	%	1.63	2.40	1.10	2.04	2.20	2.30	2.35
Capital Adequacy Ratio	%	14.80	16.23	12.27	11.75	11.46	11.17	10.99
Leverage Ratio	%	3.57	3.21	3.01	2.85	2.75	2.65	2.59
Operational Analysis		CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Market Share - Deposits	%	4.72	4.67	4.78	5.18	5.30	5.43	5.56
Market Share - Advances	%	5.26	5.21	5.26	5.75	5.89	6.03	6.18
Market Share - Investments	%	4.11	4.91	3.87	4.44	4.47	4.51	4.56
No. of Branches		624	636	662	689	717	747	777
Investment Ratios		CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Dividend Per Share		0.75	1.00	0.00	1.00	1.00	1.00	1.00
Dividend Yield	%	12.82	17.09	0.00	17.09	17.09	17.09	17.09
Dividend Cover	x	3.70	2.33	0.00	3.71	3.38	3.68	4.36
Retention Ratio	%	72.96	57.17	100.00	73.02	70.43	72.82	77.05
Payout Ratio	%	27.04	42.83	0.00	26.98	29.57	27.18	22.95
No. of Shares	('m)	2974	2974	2974	2974	2974	2974	2974
Earnings Per Share		2.77	2.33	4.18	3.71	3.38	3.68	4.36
Book Value Per Share		15.70	17.57	18.44	21.12	23.47	26.12	29.44
Price to Earnings	x	2.11	2.51	1.40	1.58	1.73	1.59	1.34
Price to Book Value	x	0.37	0.33	0.32	0.28	0.25	0.22	0.20

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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- 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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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com