

## BOP

## 1QCY22 Result Review: Stance Upgraded to BUY

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BOP has announced its 1QCY22 result where it posted a profit after tax of Rs2.161bn (EPS: Rs0.73) as compared to a profit after tax of Rs1.833bn (EPS: Rs0.62) in the same period last year, up by 17.9% YoY.

The bank has posted a net interest income of Rs8.113bn against Rs6.868bn in SPLY, recording a growth of 18.1% YoY due to an increase in interest rate.

Non-interest income has been decreased by 34% YoY to Rs1.673bn as compared to Rs2.534bn during SPLY, mainly due to the loss on securities.

The operating cost to income ratio has increased to 74.6% as compared to 57.4% during SPLY. Lastly, the bank has charged a reversal of Rs1.06bn as compared to a provision of Rs0.87bn during SPLY.

BOP is currently trading at CY22E PE of 2.27x. Furthermore, the scrip is trading at a CY22E P/B of 0.34x which offers a discount of 16% relative to its historical 3-year average of 0.4x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-22 TP of Rs.10 which provides an upside potential of 45%.

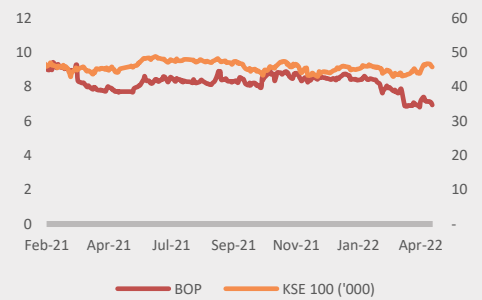
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Interest earned	26,792	19,406	38.1% ▲	81,651	86,019	5.1% ▼
Interest expensed	-18,680	-12,538	49.0% ▲	-51,775	-62,694	17.4% ▼
<b>Net Interest Income</b>	<b>8,113</b>	<b>6,868</b>	<b>18.1% ▲</b>	<b>29,876</b>	<b>23,325</b>	<b>28.1% ▲</b>
Fee and commission income	1,371	1,117	22.8% ▲	5,103	3,732	36.7% ▲
Dividend income	164	56	192.9% ▲	377	137	174.9% ▲
Foreign exchange income	129	75	72.4% ▲	577	328	75.7% ▲
(Loss) / gain on securities	-124	1,262	109.8% ▼	1,786	8,466	78.9% ▼
Other income	133	25	442.4% ▲	61	382	84.0% ▼
<b>Non-Interest Income</b>	<b>1,673</b>	<b>2,534</b>	<b>34.0% ▼</b>	<b>7,904</b>	<b>13,046</b>	<b>39.4% ▼</b>
Operating expenses	-7,300	-5,400	35.2% ▲	-20,637	-16,880	22.3% ▲
Workers' Welfare Fund	-62	-66	5.2% ▼	-363	-335	8.5% ▲
Other charges	-4	0	2576.0% ▲	-13	-304	95.6% ▼
Profit Before Provisions	2,420	3,936	38.5% ▼	16,766	18,852	11.1% ▼
Provisions	1,064	-870	222.4% ▼	1,642	-6,862	123.9% ▼
Profit Before Taxation	3,484	3,067	13.6% ▲	18,408	11,989	53.5% ▲
Taxation	-1,323	-1,234	7.2% ▲	-5,968	-5,046	18.3% ▲
<b>Profit After Taxation</b>	<b>2,161</b>	<b>1,833</b>	<b>17.9% ▲</b>	<b>12,440</b>	<b>6,944</b>	<b>79.2% ▲</b>
<b>Earnings Per Share</b>	<b>0.73</b>	<b>0.62</b>	<b>17.9% ▲</b>	<b>4.18</b>	<b>2.33</b>	<b>79.2% ▲</b>
<b>Dividend</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>0.00</b>	<b>1.00</b>	<b>100.0% ▼</b>
<b>Bonus</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-</b>	<b>12.5%</b>	<b>0.0%</b>	<b>-</b>
Operating Cost to Income	-74.6%	-57.4%	17.2% ▲	-54.6%	-46.4%	8.2% ▲
Effective Taxation	-38.0%	-40.2%	2.3% ▼	-32.4%	-42.1%	9.7% ▼

Source: ACPL Research, Company Financials

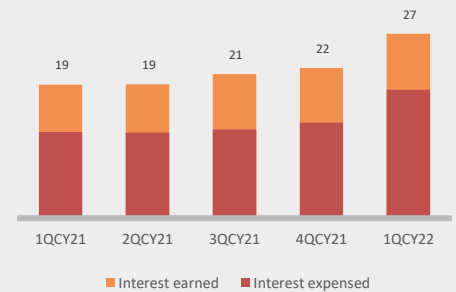
## Key Statistics

Symbol	BOP
TP - Dec 22	10.00
LDPC	6.92
Upside (%)	45
Free Float ('mn)	1,256
Market Cap. (Rs.'mn)	20,432

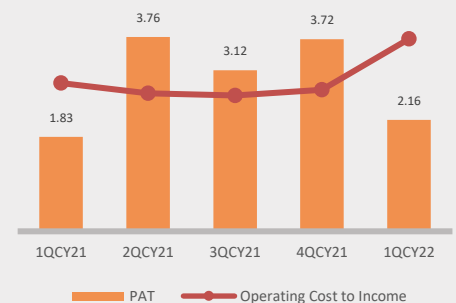
## BOP vs KSE 100



## 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	CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	80,867	86,019	81,651	141,906	176,649	211,850	253,401
Mark-up / Return / Interest expensed	-54,110	-62,694	-51,775	-103,619	-131,124	-164,154	-196,969
<b>Net Mark-up / Interest Income</b>	<b>26,757</b>	<b>23,325</b>	<b>29,876</b>	<b>38,287</b>	<b>45,525</b>	<b>47,696</b>	<b>56,433</b>
Fee and commission income	3,530	3,732	5,103	5,614	6,175	6,793	7,472
Dividend income	104	137	377	442	520	613	726
Foreign exchange income	11	328	577	577	577	577	577
(Loss) / gain from derivatives	0	0	0	0	0	0	0
(Loss) / gain on securities	222	8,466	1,786	-496	-534	-578	-632
Other income	73	382	61	549	88	14	2
<b>Total non-markup / interest income</b>	<b>3,940</b>	<b>13,046</b>	<b>7,904</b>	<b>6,685</b>	<b>6,826</b>	<b>7,419</b>	<b>8,145</b>
<b>Non mark-up / interest expenses</b>							
Operating expenses	-14,453	-16,880	-20,637	-26,983	-31,410	-33,069	-38,747
Workers' Welfare Fund	-285	-335	-363	-225	-262	-276	-323
Other charges	-139	-304	-13	-20	-29	-43	-63
<b>Profit Before Provisions</b>	<b>15,820</b>	<b>18,852</b>	<b>16,766</b>	<b>17,744</b>	<b>20,650</b>	<b>21,728</b>	<b>25,446</b>
Provisions / (reversal of provisions)	-1,776	-6,862	1,642	-4,324	-3,649	-3,429	-3,078
Extraordinary / unusual items	0	0	0	0	0	0	0
<b>Profit before income tax</b>	<b>14,044</b>	<b>11,989</b>	<b>18,408</b>	<b>13,420</b>	<b>17,001</b>	<b>18,299</b>	<b>22,368</b>
Income tax expense	-5,795	-5,046	-5,968	-4,351	-5,512	-5,932	-7,252
<b>Profit for the year</b>	<b>8,249</b>	<b>6,944</b>	<b>12,440</b>	<b>9,069</b>	<b>11,489</b>	<b>12,366</b>	<b>15,116</b>
<b>EPS</b>	<b>2.77</b>	<b>2.33</b>	<b>4.18</b>	<b>3.05</b>	<b>3.86</b>	<b>4.16</b>	<b>5.08</b>

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%	73.8%	24.5%	19.9%	19.6%
Mark-up / Return / Interest expensed	101.6%	15.9%	-17.4%	100.1%	26.5%	25.2%	20.0%
<b>Net Mark-up / Interest Income</b>	<b>33.4%</b>	<b>-12.8%</b>	<b>28.1%</b>	<b>28.2%</b>	<b>18.9%</b>	<b>4.8%</b>	<b>18.3%</b>
<b>Total non-markup / interest income</b>	<b>7.3%</b>	<b>231.1%</b>	<b>-39.4%</b>	<b>-15.4%</b>	<b>2.1%</b>	<b>8.7%</b>	<b>9.8%</b>
<b>Non mark-up / interest expenses</b>							
Operating expenses	14.6%	16.8%	22.3%	30.8%	16.4%	5.3%	17.2%
Workers' Welfare Fund	0.0%	17.5%	8.5%	-38.1%	16.4%	5.3%	17.2%
Other charges	158.9%	119.4%	-95.6%	47.0%	47.0%	47.0%	47.0%
<b>Profit Before Provisions</b>	<b>43.0%</b>	<b>19.2%</b>	<b>-11.1%</b>	<b>5.8%</b>	<b>16.4%</b>	<b>5.2%</b>	<b>17.1%</b>
Provisions / (reversal of provisions)	-254.7%	286.4%	-123.9%	-363.4%	-15.6%	-6.0%	-10.2%
<b>Profit before income tax</b>	<b>15.0%</b>	<b>-14.6%</b>	<b>53.5%</b>	<b>-27.1%</b>	<b>26.7%</b>	<b>7.6%</b>	<b>22.2%</b>
Income tax expense	24.8%	-12.9%	18.3%	-27.1%	26.7%	7.6%	22.2%
<b>Profit for the year</b>	<b>9.1%</b>	<b>-15.8%</b>	<b>79.2%</b>	<b>-27.1%</b>	<b>26.7%</b>	<b>7.6%</b>	<b>22.2%</b>
<b>EPS</b>	<b>9.1%</b>	<b>-15.8%</b>	<b>79.2%</b>	<b>-27.1%</b>	<b>26.7%</b>	<b>7.6%</b>	<b>22.2%</b>

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	9.99	10.49	10.61	10.67
Interest Cost	%	6.93	6.26	4.74	7.91	8.34	8.70	8.70
Net Interest Margin	%	3.05	2.00	2.47	2.08	2.15	1.90	1.97
Operating Cost to Income	%	48.46	48.17	55.62	60.54	60.56	60.58	60.60
Return on Equity	%	17.67	13.29	22.69	14.91	16.96	16.37	17.57
Return on Assets	%	0.95	0.63	1.04	0.61	0.65	0.59	0.60
<b>Balance Sheet Analysis</b>		<b>CY19</b>	<b>CY20</b>	<b>CY21</b>	<b>CY22E</b>	<b>CY23E</b>	<b>CY24E</b>	<b>CY25E</b>
Deposits Growth	%	16.02	20.85	20.10	20.10	20.10	20.10	20.10
CASA to Deposits	%	66.95	64.62	63.44	63.44	63.44	63.44	63.44
Advances to Deposits	%	55.47	46.84	48.30	57.69	57.14	56.63	56.16
Investments to Deposits	%	52.31	67.99	53.01	52.02	50.97	50.09	49.36
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	89.76	85.76	81.76	77.76
Net Infection Ratio	%	1.63	2.40	1.10	0.83	1.07	1.26	1.40
Capital Adequacy Ratio	%	14.80	16.23	12.27	11.11	10.57	10.06	9.73
Leverage Ratio	%	3.57	3.21	3.01	2.67	2.49	2.33	2.22
<b>Operational Analysis</b>		<b>CY19</b>	<b>CY20</b>	<b>CY21</b>	<b>CY22E</b>	<b>CY23E</b>	<b>CY24E</b>	<b>CY25E</b>
Market Share - Deposits	%	4.72	4.67	4.78	5.06	5.35	5.67	6.00
Market Share - Advances	%	5.26	5.21	5.26	5.57	5.89	6.24	6.60
Market Share - Investments	%	4.11	4.91	3.87	4.00	4.14	4.31	4.49
No. of Branches		624	636	662	689	717	747	777
<b>Investment Ratios</b>		<b>CY19</b>	<b>CY20</b>	<b>CY21</b>	<b>CY22E</b>	<b>CY23E</b>	<b>CY24E</b>	<b>CY25E</b>
Dividend Per Share		0.75	1.00	0.00	1.00	1.50	1.50	1.50
Dividend Yield	%	10.84	14.45	0.00	14.45	21.68	21.68	21.68
Dividend Cover	x	3.70	2.33	0.00	3.05	2.58	2.77	3.39
Retention Ratio	%	72.96	57.17	100.00	67.21	61.17	63.92	70.49
Payout Ratio	%	27.04	42.83	0.00	32.79	38.83	36.08	29.51
No. of Shares	('m)	2974	2974	2974	2974	2974	2974	2974
Earnings Per Share		2.77	2.33	4.18	3.05	3.86	4.16	5.08
Book Value Per Share		15.70	17.57	18.44	20.46	22.78	25.39	28.92
Price to Earnings	x	2.50	2.96	1.65	2.27	1.79	1.66	1.36
Price to Book Value	x	0.44	0.39	0.38	0.34	0.30	0.27	0.24

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

### VALUATION METHODOLOGY

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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