

BOP

1HCY21 Result Review: BUY Stance Maintained

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BOP has announced its 1HCY21 result where it posted a profit after tax of Rs5.59bn (EPS: Rs2.12) as compared to profit after tax of Rs3.65bn (EPS: Rs1.38) in the same period last year, up by 53.4% YoY.

The company has posted a net interest income of Rs13.9bn against Rs11.5bn in SPLY, recording a growth of 20.2% YoY due to a decline in interest cost.

Non-interest income has been decreased by 36.3% YoY to Rs4.4bn as compared to Rs6.9bn during SPLY, mainly due to the decrease in gain on securities and foreign income.

Furthermore, the operating cost to income ratio has been increased to 55.5% as compared to 44.2% during SPLY.

Lastly, the bank has charged a provision of Rs591mn as compared to Rs3,490bn during SPLY.

BOP is currently trading at CY21E PE of 2.40x. Furthermore, the scrip is trading at a CY21E P/B of 0.38x which offers a discount of 18% relative to its historical 2-year average of 0.47x. We maintain our **BUY** stance on the script with a Justified P/B based Jun-22 TP of Rs.12 which provides an upside potential of 38%. Furthermore, it also offers a dividend yield of 11% which makes the total return 49%.

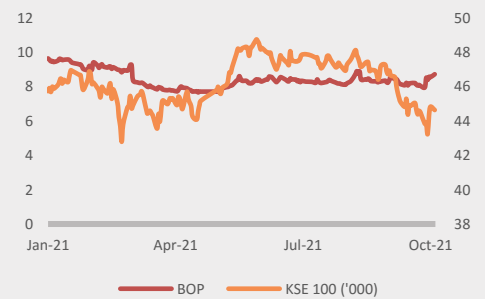
Rupees' millions	2QCY21	2QCY20	YoY	1HCY21	1HCY20	YoY
Interest earned	19,460	22,655	14.1% ▼	38,865	46,867	17.1% ▼
Interest expensed	-12,446	-17,007	26.8% ▼	-24,984	-35,320	29.3% ▼
Net Interest Income	7,014	5,648	24.2% ▲	13,882	11,547	20.2% ▲
Fee and commission income	1,375	960	43.2% ▲	2,492	1,812	37.6% ▲
Dividend income	49	23	118.5% ▲	105	64	63.3% ▲
Foreign exchange income	66	133	50.4% ▼	141	206	31.6% ▼
(Loss) / gain on securities	353	3,761	90.6% ▼	1,615	4,765	66.1% ▼
Other income	11	13	13.2% ▼	35	45	20.7% ▼
Non-Interest Income	1,854	4,889	62.1% ▼	4,388	6,892	36.3% ▼
Operating expenses	-4,742	-3,958	19.8% ▲	-10,142	-8,158	24.3% ▲
Workers' Welfare Fund	-102	-104	1.8% ▼	-167	-162	3.5% ▲
Other charges	0	-1	46.1% ▼	-1	-288	99.8% ▼
Profit Before Provisions	4,024	6,476	37.9% ▼	7,960	9,831	19.0% ▼
Provisions	278	-2,803	109.9% ▲	-591	-3,490	83.1% ▼
Profit Before Taxation	4,302	3,672	17.2% ▲	7,369	6,340	16.2% ▲
Taxation	-537	-1,524	64.7% ▼	-1,771	-2,691	34.2% ▼
Profit After Taxation	3,765	2,149	75.2% ▲	5,598	3,649	53.4% ▲
Earnings Per Share	1.42	0.81	75.2% ▲	2.12	1.38	53.4% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Operating Cost to Income	-53.5%	-37.6%	15.9% ▲	-55.5%	-44.2%	11.3% ▲
Effective Taxation	-12.5%	-41.5%	29.0% ▼	-24.0%	-42.4%	18.4% ▼

Source: ACPL Research, Company Financials

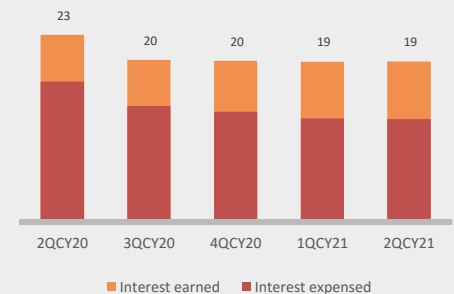
Key Statistics

Symbol	BOP
TP - Jun 22	12.00
LDPC	8.71
Upside (%)	38
Free Float ('mn)	1,116
Market Cap. (Rs. 'mn)	23,159

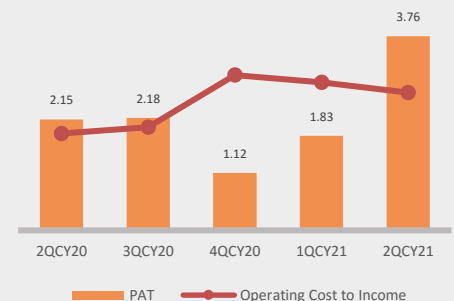
BOP vs KSE 100



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	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	80,867	86,019	78,159	102,350	123,074	145,940	173,694
Mark-up / Return / Interest expensed	-54,110	-62,694	-50,623	-66,320	-80,032	-96,602	-116,627
Net Mark-up / Interest Income	26,757	23,325	27,536	36,030	43,041	49,338	57,067
Fee and commission income	3,530	3,732	4,479	4,926	5,419	5,961	6,557
Dividend income	104	137	221	254	295	344	403
Foreign exchange income	11	328	149	149	149	149	149
(Loss) / gain from derivatives	0	0	0	0	0	0	0
(Loss) / gain on securities	222	8,466	2,803	3,312	3,927	4,670	5,568
Other income	73	382	382	382	382	382	382
Total non-markup / interest income	3,940	13,046	8,033	9,023	10,171	11,505	13,059
Non mark-up / interest expenses							
Operating expenses	-14,453	-16,880	-20,452	-25,905	-30,597	-34,985	-40,322
Workers' Welfare Fund	-285	-335	-260	-329	-389	-444	-512
Other charges	-139	-304	-304	-304	-304	-304	-304
Profit Before Provisions	15,820	18,852	14,553	18,514	21,923	25,110	28,987
Provisions / (reversal of provisions)	-1,776	-6,862	-1,930	-5,561	-5,594	-5,398	-4,879
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	14,044	11,989	12,623	12,953	16,329	19,711	24,108
Income tax expense	-5,795	-5,046	-3,034	-3,114	-3,925	-4,738	-5,795
Profit for the year	8,249	6,944	9,589	9,839	12,404	14,973	18,313
EPS	3.12	2.63	3.63	3.72	4.69	5.66	6.93

Source: ACPL Research, Company Financials

Horizontal Analysis

	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	72.4%	6.4%	-9.1%	31.0%	20.2%	18.6%	19.0%
Mark-up / Return / Interest expensed	101.6%	15.9%	-19.3%	31.0%	20.7%	20.7%	20.7%
Net Mark-up / Interest Income	33.4%	-12.8%	18.1%	30.8%	19.5%	14.6%	15.7%
Fee and commission income	8.8%	5.7%	20.0%	10.0%	10.0%	10.0%	10.0%
Dividend income	27.3%	31.8%	61.0%	15.2%	16.0%	16.6%	17.2%
Foreign exchange income	-95.3%	2997.8%	-54.7%	0.0%	0.0%	0.0%	0.0%
(Loss) / gain on securities	697.9%	3721.2%	-66.9%	18.2%	18.6%	18.9%	19.2%
Other income	-19.8%	419.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Total non-markup / interest income	7.3%	231.1%	-38.4%	12.3%	12.7%	13.1%	13.5%
Non mark-up / interest expenses							
Operating expenses	14.6%	16.8%	21.2%	26.7%	18.1%	14.3%	15.3%
Workers' Welfare Fund	0.0%	17.5%	-22.4%	26.7%	18.1%	14.3%	15.3%
Other charges	158.9%	119.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit Before Provisions	43.0%	19.2%	-22.8%	27.2%	18.4%	14.5%	15.4%
Provisions / (reversal of provisions)	-254.7%	286.4%	-71.9%	188.2%	0.6%	-3.5%	-9.6%
Profit before income tax	15.0%	-14.6%	5.3%	2.6%	26.1%	20.7%	22.3%
Income tax expense	24.8%	-12.9%	-39.9%	2.6%	26.1%	20.7%	22.3%
Profit for the year	9.1%	-15.8%	38.1%	2.6%	26.1%	20.7%	22.3%
EPS	9.1%	-15.8%	38.1%	2.6%	26.1%	20.7%	22.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Yield on Earning Assets	%	9.98	8.26	5.93	6.60	6.72	6.73	6.75
Interest Cost	%	6.93	6.26	4.52	4.90	4.90	4.90	4.90
Net Interest Margin	%	3.05	2.00	1.41	1.70	1.82	1.84	1.86
Operating Cost to Income	%	48.46	48.17	59.09	58.91	58.80	58.73	58.66
Return on Equity	%	17.67	13.29	15.91	14.32	15.76	16.35	16.93
Return on Assets	%	0.95	0.63	0.69	0.61	0.65	0.66	0.68
Balance Sheet Analysis		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Deposits Growth	%	16.02	20.85	20.85	20.85	20.85	20.85	20.85
CASA to Deposits	%	66.95	64.62	64.62	64.62	64.62	64.62	64.62
Advances to Deposits	%	55.47	46.84	58.27	57.76	57.26	56.78	56.30
Investments to Deposits	%	52.31	67.99	64.25	61.26	58.79	56.74	55.05
PIBs to Investments	%	58.78	37.42	37.42	37.42	37.42	37.42	37.42
T Bills to Investments	%	37.18	58.55	58.55	58.55	58.55	58.55	58.55
Gross Infection Ratio	%	11.98	12.93	11.00	10.00	9.00	8.00	7.00
Provisioning Coverage	%	87.84	83.58	83.58	83.58	83.58	83.58	83.58
Net Infection Ratio	%	1.63	2.40	1.64	1.51	1.37	1.23	1.08
Capital Adequacy Ratio	%	14.80	16.23	15.19	14.81	14.45	14.24	14.17
Leverage Ratio	%	3.57	3.21	2.95	2.82	2.69	2.62	2.58
Operational Analysis		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Market Share - Deposits	%	4.72	4.67	4.99	5.34	5.71	6.11	6.53
Market Share - Advances	%	5.26	5.21	5.57	5.96	6.37	6.81	7.28
Market Share - Investments	%	4.11	4.91	4.97	5.07	5.20	5.37	5.57
No. of Branches		624	636	648	661	673	686	700
Investment Ratios		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Dividend Per Share		0.75	1.00	1.00	1.00	1.50	1.50	1.50
Dividend Yield	%	8.61	11.48	11.48	11.48	17.22	17.22	17.22
Dividend Cover	x	4.16	2.63	3.63	3.72	3.13	3.78	4.62
Retention Ratio	%	75.96	61.93	72.43	73.13	68.03	73.52	78.35
Payout Ratio	%	24.04	38.07	27.57	26.87	31.97	26.48	21.65
No. of Shares	('m)	2644	2644	2644	2644	2644	2644	2644
Earnings Per Share		3.12	2.63	3.63	3.72	4.69	5.66	6.93
Book Value Per Share		17.66	19.77	22.79	26.00	29.77	34.64	40.91
Price to Earnings	x	2.79	3.32	2.40	2.34	1.86	1.54	1.26
Price to Book Value	x	0.49	0.44	0.38	0.34	0.29	0.25	0.21

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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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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