

BOP

9MCY21 Result Review: BUY Stance Maintained

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BOP has announced its 9MCY21 result where it posted a profit after tax of Rs8.7bn (EPS: Rs3.30) as compared to profit after tax of Rs5.8bn (EPS: Rs2.2) in the same period last year, up by 49.6% YoY.

The company has posted a net interest income of Rs21.9bn against Rs17.1bn in SPLY, recording a growth of 27.8% YoY due to a decline in interest cost.

Non-interest income has been decreased by 47.7% YoY to Rs6.04bn as compared to Rs11.56bn during SPLY, mainly due to the decrease in gain on securities and other income.

Furthermore, the operating cost to income ratio has been increased to 54.5% as compared to 42.7% during SPLY.

Lastly, the bank has charged a provision of Rs97mn as compared to the provision of Rs5.86bn during SPLY.

BOP is currently trading at CY21E PE of 2.20x. Furthermore, the scrip is trading at a CY21E P/B of 0.38x which offers a discount of 19% 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.11 which provides an upside potential of 25%.

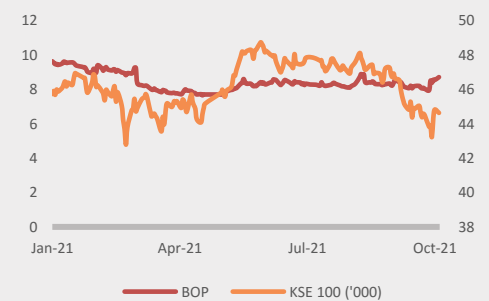
Rupees' millions	3QCY21	1QCY20	YoY	9MCY21	9MCY20	YoY
Interest earned	20,938	19,636	6.6% ▲	59,804	66,504	10.1% ▼
Interest expensed	-12,908	-14,036	8.0% ▼	-37,892	-49,356	23.2% ▼
Net Interest Income	8,030	5,600	43.4% ▲	21,912	17,148	27.8% ▲
Fee and commission income	1,359	976	39.2% ▲	3,851	2,788	38.1% ▲
Dividend income	106	28	283.7% ▲	211	92	129.7% ▲
Foreign exchange income	160	32	408.1% ▲	301	237	26.8% ▲
(Loss) / gain on securities	13	3,535	99.6% ▼	1,628	8,300	80.4% ▼
Other income	17	99	82.6% ▼	53	144	63.4% ▼
Non-Interest Income	1,656	4,670	64.5% ▼	6,044	11,562	47.7% ▼
Operating expenses	-5,103	-4,110	24.2% ▲	-15,244	-12,268	24.3% ▲
Workers' Welfare Fund	-84	-107	22.0% ▼	-251	-269	6.7% ▼
Other charges	0	-16	98.7% ▼	-1	-304	99.8% ▼
Profit Before Provisions	4,499	6,038	25.5% ▼	12,459	15,869	21.5% ▼
Provisions	494	-2,366	120.9% ▼	-97	-5,857	98.3% ▼
Profit Before Taxation	4,993	3,671	36.0% ▲	12,362	10,012	23.5% ▲
Taxation	-1,873	-1,493	25.5% ▲	-3,645	-4,184	12.9% ▼
Profit After Taxation	3,120	2,178	43.2% ▲	8,717	5,828	49.6% ▲
Earnings Per Share	1.18	0.82	43.2% ▲	3.30	2.20	49.6% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Operating Cost to Income	-52.7%	-40.0%	12.7% ▲	-54.5%	-42.7%	11.8% ▲
Effective Taxation	-37.5%	-40.7%	3.2% ▼	-29.5%	-41.8%	12.3% ▼

Source: ACPL Research, Company Financials

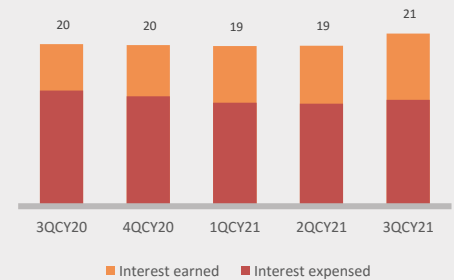
Key Statistics

Symbol	BOP
TP - Jun 22	12.00
LDCP	8.71
Upside (%)	25
Free Float ('mn)	1,116
Market Cap. (Rs. 'mn)	23,000

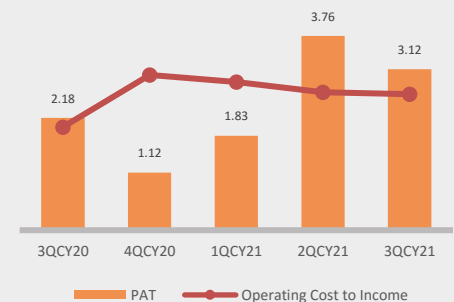
BOP vs KSE 100



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	CY21E	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	80,867	86,019	77,492	83,263	93,684	105,789	119,761
Mark-up / Return / Interest expensed	-54,110	-62,694	-48,979	-55,571	-63,832	-73,333	-84,259
Net Mark-up / Interest Income	26,757	23,325	28,512	27,693	29,852	32,456	35,502
Fee and commission income	3,530	3,732	4,479	4,926	5,419	5,961	6,557
Dividend income	104	137	213	236	262	293	328
Foreign exchange income	11	328	404	404	404	404	404
(Loss) / gain from derivatives	0	0	0	0	0	0	0
(Loss) / gain on securities	222	8,466	2,685	3,034	3,434	3,895	4,425
Other income	73	382	382	382	382	382	382
Total non-markup / interest income	3,940	13,046	8,162	8,981	9,901	10,934	12,095
Non mark-up / interest expenses							
Operating expenses	-14,453	-16,880	-20,171	-20,171	-21,864	-23,865	-26,179
Workers' Welfare Fund	-285	-335	-330	-330	-358	-391	-428
Other charges	-139	-304	-304	-304	-304	-304	-304
Profit Before Provisions	15,820	18,852	15,869	15,869	17,227	18,831	20,686
Provisions / (reversal of provisions)	-1,776	-6,862	-827	-2,033	-2,575	-2,144	-1,524
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	14,044	11,989	15,042	13,836	14,651	16,687	19,162
Income tax expense	-5,795	-5,046	-4,435	-4,079	-4,320	-4,920	-5,649
Profit for the year	8,249	6,944	10,607	9,757	10,332	11,767	13,513
EPS	3.12	2.63	4.01	3.69	3.91	4.45	5.11

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	72.4%	6.4%	-9.9%	7.4%	12.5%	12.9%	13.2%
Mark-up / Return / Interest expensed	101.6%	15.9%	-21.9%	13.5%	14.9%	14.9%	14.9%
Net Mark-up / Interest Income	33.4%	-12.8%	22.2%	-2.9%	7.8%	8.7%	9.4%
Total non-markup / interest income	7.3%	231.1%	-37.4%	10.0%	10.2%	10.4%	10.6%
Non mark-up / interest expenses							
Operating expenses	14.6%	16.8%	19.5%	0.0%	8.4%	9.1%	9.7%
Workers' Welfare Fund	0.0%	17.5%	-1.4%	0.0%	8.4%	9.1%	9.7%
Other charges	158.9%	119.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit Before Provisions	43.0%	19.2%	-15.8%	0.0%	8.6%	9.3%	9.9%
Provisions / (reversal of provisions)	-254.7%	286.4%	-88.0%	145.9%	26.7%	-16.8%	-28.9%
Profit before income tax	15.0%	-14.6%	25.5%	-8.0%	5.9%	13.9%	14.8%
Income tax expense	24.8%	-12.9%	-12.1%	-8.0%	5.9%	13.9%	14.8%
Profit for the year	9.1%	-15.8%	52.8%	-8.0%	5.9%	13.9%	14.8%
EPS	9.1%	-15.8%	52.8%	-8.0%	5.9%	13.9%	14.8%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Yield on Earning Assets	%	9.98	8.26	6.13	5.86	5.84	5.84	5.85
Interest Cost	%	6.93	6.26	4.59	4.53	4.53	4.53	4.53
Net Interest Margin	%	3.05	2.00	1.54	1.32	1.31	1.31	1.32
Operating Cost to Income	%	48.46	48.17	56.73	56.73	56.67	56.60	56.54
Return on Equity	%	17.67	13.29	17.39	14.15	13.53	13.80	14.05
Return on Assets	%	0.95	0.63	0.80	0.66	0.62	0.62	0.63
Balance Sheet Analysis								
		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Deposits Growth	%	16.02	20.85	15.00	15.00	15.00	15.00	15.00
CASA to Deposits	%	66.95	64.62	64.62	64.62	64.62	64.62	64.62
Advances to Deposits	%	55.47	46.84	58.44	57.87	57.40	56.93	56.47
Investments to Deposits	%	52.31	67.99	65.13	62.76	60.69	58.89	57.33
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	11.70	10.50	9.50	8.50	7.50
Provisioning Coverage	%	87.84	83.58	81.00	81.00	81.00	81.00	81.00
Net Infection Ratio	%	1.63	2.40	2.02	1.83	1.67	1.50	1.34
Capital Adequacy Ratio	%	14.80	16.23	15.87	15.93	15.69	15.54	15.49
Leverage Ratio	%	3.57	3.21	3.14	3.13	3.04	2.98	2.95
Operational Analysis								
		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Market Share - Deposits	%	4.72	4.67	4.75	4.84	4.92	5.01	5.10
Market Share - Advances	%	5.26	5.21	5.30	5.40	5.49	5.59	5.68
Market Share - Investments	%	4.11	4.91	4.80	4.70	4.63	4.57	4.53
No. of Branches		624	636	648	661	673	686	700
Investment Ratios								
		CY19	CY20	CY21E	CY22E	CY23E	CY24E	CY25E
Dividend Per Share		0.75	1.00	1.00	1.00	1.50	1.50	1.50
Dividend Yield	%	8.51	11.35	11.35	11.35	17.03	17.03	17.03
Dividend Cover	x	4.16	2.63	4.01	3.69	2.61	2.97	3.41
Retention Ratio	%	75.96	61.93	75.08	72.90	61.62	66.30	70.65
Payout Ratio	%	24.04	38.07	24.92	27.10	38.38	33.70	29.35
No. of Shares	('m)	2644	2644	2644	2644	2644	2644	2644
Earnings Per Share		3.12	2.63	4.01	3.69	3.91	4.45	5.11
Book Value Per Share		17.66	19.77	23.07	26.09	28.87	32.26	36.37
Price to Earnings	x	2.82	3.35	2.20	2.39	2.25	1.98	1.72
Price to Book Value	x	0.50	0.45	0.38	0.34	0.31	0.27	0.24

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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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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