

BOP

1QCY23 Result Review: BUY Stance Maintained

Equity Research | Commercial Banks | Tuesday, 2 May, 2023

BOP has announced its 1QCY23 result where it posted a profit after tax of Rs1.20bn (EPS: Rs0.40) as compared to a profit after tax of Rs2.16bn (EPS: Rs0.73) in the same period last year, down by 44.4% YoY amid a decline in net interest income.

The bank has posted a net interest income of Rs7.77bn against Rs8.11bn in SPLY, recording a decline of 4.3% YoY due to an increase in interest expensed.

Non-interest income has increased by 63.8% YoY to Rs2.74bn as compared to Rs1.67bn during SPLY, mainly due to an increase in fee and commission and FX income.

The operating cost-to-income ratio has increased to 79.4% as compared to 74.6% during SPLY. Lastly, the effective taxation has increased to 43% as compared to 38% during SPLY.

BOP is currently trading at CY23E PE of 2.76x. Furthermore, the scrip is trading at a CY23E P/B of 0.18x which offers a discount of 20% relative to its historical 3-year average of 0.13x. We have a **BUY** stance on the scrip with a Justified P/B based Dec-23 TP of Rs5 which provides an upside potential of 29%.

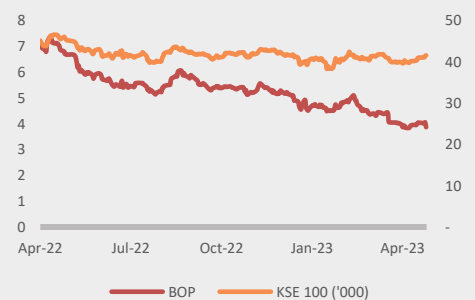
Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Interest earned	50,676	26,792	89.1% ▲	137,168	81,651	68.0% ▲
Interest expensed	-42,908	-18,680	129.7% ▲	-106,410	-51,775	105.5% ▲
Net Interest Income	7,767	8,113	4.3% ▼	30,758	29,876	3.0% ▲
Fee and commission income	1,723	1,371	25.7% ▲	7,332	5,103	43.7% ▲
Dividend income	137	164	16.1% ▼	708	377	87.9% ▲
Foreign exchange income	780	129	505.7% ▲	1,887	577	227.1% ▲
(Loss) / gain on securities	60	-124	148.2% ▲	343	1,786	80.8% ▼
Other income	40	133	69.8% ▼	306	61	402.5% ▲
Non-Interest Income	2,741	1,673	63.8% ▲	10,576	7,904	33.8% ▲
Operating expenses	-8,348	-7,300	14.4% ▲	-27,374	-20,637	32.6% ▲
Workers' Welfare Fund	-31	-62	50.1% ▼	-289	-363	20.6% ▼
Other charges	-1	-4	85.1% ▼	-43	-13	220.2% ▲
Profit Before Provisions	2,128	2,420	12.0% ▼	13,630	16,766	18.7% ▼
Provisions	-20	1,064	101.9% ▼	4,878	1,642	397.1% ▼
Profit Before Taxation	2,109	3,484	39.5% ▼	18,508	18,408	0.5% ▲
Taxation	-907	-1,323	31.5% ▼	-7,673	-5,968	28.6% ▲
Profit After Taxation	1,202	2,161	44.4% ▼	10,834	12,440	12.9% ▼
Earnings Per Share	0.40	0.73	44.4% ▼	3.64	4.18	12.9% ▼
Dividend	-	-	-	-	-	-
Bonus	-	-	-	10%	13%	20.0% ▼
Operating Cost to Income	-79.4%	-74.6%	4.8% ▲	-66.2%	-54.6%	11.6% ▲
Effective Taxation	-43.0%	-38.0%	5.0% ▲	-41.5%	-32.4%	9.0% ▲

Source: ACPL Research, Company Financials

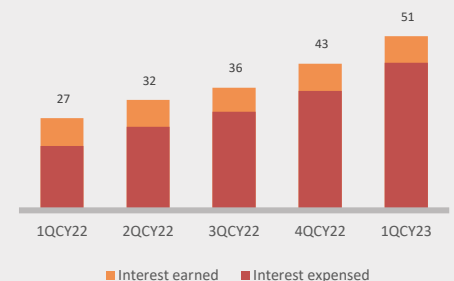
Key Statistics

Symbol	BOP
TP - Dec 23	5
LDPCP	3.87
Upside (%)	29
Free Float ('mn)	1,256
Market Cap. (Rs.'mn)	12,661

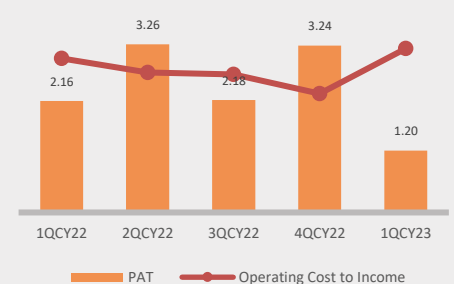
BOP vs KSE 100



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	CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Mark-up / Return / Interest earned	86,019	81,651	137,168	211,043	240,363	279,974	321,163
Mark-up / Return / Interest expensed	-62,694	-51,775	-106,410	-173,772	-205,789	-239,893	-271,293
Net Mark-up / Interest Income	23,325	29,876	30,758	37,271	34,574	40,082	49,870
Fee and commission income	3,732	5,103	7,332	6,893	7,926	9,512	11,414
Dividend income	137	377	708	579	837	972	1,130
Foreign exchange income	328	577	1,887	1,321	1,651	2,064	2,580
(Loss) / gain from derivatives	0	0	0	0	0	0	0
(Loss) / gain on securities	8,466	1,786	343	286	323	367	418
Other income	382	61	306	161	193	232	279
Total non-markup / interest income	13,046	7,904	10,576	9,240	10,931	13,147	15,821
Non mark-up / interest expenses							
Operating expenses	-16,880	-20,637	-27,374	-36,951	-23,736	-27,764	-34,264
Workers' Welfare Fund	-335	-363	-289	-137	-313	-366	-451
Other charges	-304	-13	-43	-2	-1	-1	0
Profit Before Provisions	18,852	16,766	13,630	9,421	21,456	25,098	30,975
Provisions / (reversal of provisions)	-6,862	1,642	4,878	-2,112	-8,743	-10,254	-12,027
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	11,989	18,408	18,508	7,309	12,713	14,844	18,948
Income tax expense	-5,046	-5,968	-7,673	-3,144	-5,721	-6,680	-8,527
Profit for the year	6,944	12,440	10,834	4,165	6,992	8,164	10,421
EPS	2.33	4.18	3.64	1.40	2.35	2.74	3.50

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Mark-up / Return / Interest earned	6.4%	-5.1%	68.0%	53.9%	13.9%	16.5%	14.7%
Mark-up / Return / Interest expensed	15.9%	-17.4%	105.5%	63.3%	18.4%	16.6%	13.1%
Net Mark-up / Interest Income	-12.8%	28.1%	3.0%	21.2%	-7.2%	15.9%	24.4%
Total non-markup / interest income	231.1%	-39.4%	33.8%	-12.6%	18.3%	20.3%	20.3%
Non mark-up / interest expenses							
Operating expenses	16.8%	22.3%	32.6%	35.0%	-35.8%	17.0%	23.4%
Workers' Welfare Fund	17.5%	8.5%	-20.6%	-52.4%	127.7%	17.0%	23.4%
Other charges	119.4%	-95.6%	220.2%	-94.5%	-50.0%	-50.0%	-50.0%
Profit Before Provisions	19.2%	-11.1%	-18.7%	-30.9%	127.8%	17.0%	23.4%
Provisions / (reversal of provisions)	286.4%	-123.9%	197.1%	-143.3%	314.0%	17.3%	17.3%
Profit before income tax	-14.6%	53.5%	0.5%	-60.5%	73.9%	16.8%	27.7%
Income tax expense	-12.9%	18.3%	28.6%	-59.0%	82.0%	16.8%	27.7%
Profit for the year	-15.8%	79.2%	-12.9%	-61.6%	67.9%	16.8%	27.7%
EPS	-15.8%	79.2%	-12.9%	-61.6%	67.9%	16.8%	27.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Yield on Earning Assets	%	8.26	7.21	9.92	12.97	12.67	12.64	12.42
Interest Cost	%	6.26	4.74	7.99	11.20	11.28	11.23	10.84
Net Interest Margin	%	2.00	2.47	1.93	1.77	1.39	1.41	1.58
Operating Cost to Income	%	48.17	55.62	67.03	79.75	52.85	52.85	52.85
Return on Equity	%	13.29	22.69	16.65	6.36	10.12	11.06	14.00
Return on Assets	%	0.63	1.04	0.73	0.24	0.34	0.34	0.38
Balance Sheet Analysis		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Deposits Growth	%	20.85	20.10	22.37	17.28	17.28	17.28	17.28
CASA to Deposits	%	64.62	63.44	62.72	60.22	60.22	60.22	60.22
Advances to Deposits	%	46.84	48.30	48.04	51.87	51.87	51.86	51.86
Investments to Deposits	%	67.99	53.01	52.00	54.56	53.92	53.37	52.91
PIBs to Investments	%	37.42	72.46	83.47	83.47	83.47	83.47	83.47
T Bills to Investments	%	58.55	23.32	9.70	9.70	9.70	9.70	9.70
Gross Infection Ratio	%	12.93	9.74	8.13	8.13	8.13	8.13	8.13
Provisioning Coverage	%	83.58	89.76	85.68	79.41	79.41	79.41	79.41
Net Infection Ratio	%	2.40	1.10	1.25	1.57	1.57	1.57	1.57
Capital Adequacy Ratio	%	16.23	12.27	13.11	11.49	10.56	9.80	8.68
Leverage Ratio	%	3.21	3.01	3.46	2.91	2.64	2.42	2.10
Operational Analysis		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Market Share - Deposits	%	4.67	4.78	5.46	5.83	6.22	6.64	7.09
Market Share - Advances	%	5.21	5.26	5.33	5.35	5.72	6.10	6.51
Market Share - Investments	%	4.91	3.87	3.67	4.08	4.30	4.55	4.81
No. of Branches		636	662	780	919	1083	1276	1503
Investment Ratios		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Dividend Per Share		1.00	0.00	0.00	1.00	1.00	1.00	2.00
Dividend Yield	%	25.84	0.00	0.00	25.84	25.84	25.84	51.68
Dividend Cover	x	2.33	0.00	0.00	1.40	2.35	2.74	1.75
Retention Ratio	%	57.17	100.00	100.00	80.13	57.46	63.57	42.92
Payout Ratio	%	42.83	0.00	0.00	19.87	42.54	36.43	57.08
No. of Shares	('m)	2974	2974	2974	2974	2974	2974	2974
Earnings Per Share		2.33	4.18	3.64	1.40	2.35	2.74	3.50
Book Value Per Share		17.57	18.44	21.87	22.01	23.22	24.81	25.03
Price to Earnings	x	1.66	0.93	1.06	2.76	1.65	1.41	1.10
Price to Book Value	x	0.22	0.21	0.18	0.18	0.17	0.16	0.15

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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