

BOP

CY22 Result Review: BUY Stance Maintained

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BOP has announced its CY22 result where it posted a profit after tax of Rs10.83bn (EPS: Rs3.64) as compared to a profit after tax of Rs12.44bn (EPS: Rs4.18) in the same period last year, down by 12.9% YoY amid a surge in operating cost.

The bank has posted a net interest income of Rs30.76bn against Rs29.88bn in SPLY, recording a growth of 3% YoY due to an increase in interest rate.

Non-interest income has increased by 33.8% YoY to Rs10.58bn as compared to Rs7.90bn during SPLY, mainly due to an increase in FX and fee and commission.

The operating cost-to-income ratio has increased to 66.2% as compared to 54.6% during SPLY. Lastly, the bank has booked a reversal of Rs4.88bn as compared to a provision of Rs1.64bn during SPLY.

The bank again chose to issue a bonus this year rather than pay a cash dividend, which again let down investors as evidenced by the decline in share price. BOP is currently trading at CY23E PE of 1.27x. Furthermore, the scrip is trading at a CY23E P/B of 0.19x which offers a discount of 25% relative to its historical 3-year average of 0.22x. We recommend our investors to **BUY** the scrip at around 4.50 with a Justified PB Dec-23 TP of Rs6 which provides an upside potential of 27% from LDGP.

Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Interest earned	42,626	21,847	95.1% ▲	137,168	81,651	68.0% ▲
Interest expensed	-34,746	-13,883	150.3% ▲	-106,410	-51,775	105.5% ▲
Net Interest Income	7,880	7,964	1.1% ▼	30,758	29,876	3.0% ▲
Fee and commission income	2,331	1,252	86.1% ▲	7,332	5,103	43.7% ▲
Dividend income	319	165	93.3% ▲	708	377	87.9% ▲
Foreign exchange income	298	276	8.0% ▲	1,887	577	227.1% ▲
(Loss) / gain on securities	1,155	158	629.8% ▲	343	1,786	80.8% ▼
Other income	99	8	1099.8% ▲	306	61	402.5% ▲
Non-Interest Income	4,202	1,860	125.9% ▲	10,576	7,904	33.8% ▲
Operating expenses	-6,957	-5,393	29.0% ▲	-27,374	-20,637	32.6% ▲
Workers' Welfare Fund	-78	-112	30.6% ▼	-289	-363	20.6% ▼
Other charges	-8	-13	34.0% ▼	-43	-13	220.2% ▲
Profit Before Provisions	5,038	4,307	17.0% ▲	13,630	16,766	18.7% ▼
Provisions	1,023	1,739	41.2% ▼	4,878	1,642	397.1% ▼
Profit Before Taxation	6,061	6,046	0.2% ▲	18,508	18,408	0.5% ▲
Taxation	-2,825	-2,323	21.6% ▲	-7,673	-5,968	28.6% ▲
Profit After Taxation	3,236	3,723	13.1% ▼	10,834	12,440	12.9% ▼
Earnings Per Share	1.09	1.25	13.1% ▼	3.64	4.18	12.9% ▼
Dividend	-	-	-	-	-	-
Bonus	10%	13%	20.0% ▼	10%	13%	20.0% ▼
Closing Date: Mar 23, 2023 to Mar 29, 2023						
Operating Cost to Income	-57.6%	-54.9%	2.7% ▲	-66.2%	-54.6%	11.6% ▲
Effective Taxation	-46.6%	-38.4%	8.2% ▲	-41.5%	-32.4%	9.0% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	BOP
TP - Dec 23	6
LDGP	4.74
Upside (%)	27
Free Float ('mn)	1,256
Market Cap. (Rs.'mn)	14,157

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	170,668	201,360	233,005	266,558
Mark-up / Return / Interest expensed	-62,694	-51,775	-106,410	-138,770	-167,887	-196,433	-227,839
Net Mark-up / Interest Income	23,325	29,876	30,758	31,898	33,473	36,572	38,719
Fee and commission income	3,732	5,103	7,332	9,324	11,857	15,079	19,175
Dividend income	137	377	708	801	908	1,032	1,174
Foreign exchange income	328	577	1,887	1,321	1,982	2,973	4,459
(Loss) / gain from derivatives	0	0	0	0	0	0	0
(Loss) / gain on securities	8,466	1,786	343	640	688	743	806
Other income	382	61	306	396	511	659	851
Total non-markup / interest income	13,046	7,904	10,576	12,481	15,945	20,485	26,465
Non mark-up / interest expenses							
Operating expenses	-16,880	-20,637	-27,374	-27,870	-27,392	-31,626	-36,131
Workers' Welfare Fund	-335	-363	-289	-316	-422	-487	-556
Other charges	-304	-13	-43	-33	-26	-20	-16
Profit Before Provisions	18,852	16,766	13,630	16,160	21,579	24,924	28,481
Provisions / (reversal of provisions)	-6,862	1,642	4,878	4,098	1,090	-445	-2,762
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	11,989	18,408	18,508	20,258	22,669	24,479	25,720
Income tax expense	-5,046	-5,968	-7,673	-9,116	-10,201	-11,015	-11,574
Profit for the year	6,944	12,440	10,834	11,142	12,468	13,463	14,146
EPS	2.33	4.18	3.64	3.75	4.19	4.53	4.76

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%	24.4%	18.0%	15.7%	14.4%
Mark-up / Return / Interest expensed	15.9%	-17.4%	105.5%	30.4%	21.0%	17.0%	16.0%
Net Mark-up / Interest Income	-12.8%	28.1%	3.0%	3.7%	4.9%	9.3%	5.9%
Total non-markup / interest income	231.1%	-39.4%	33.8%	18.0%	27.8%	28.5%	29.2%
Non mark-up / interest expenses							
Operating expenses	16.8%	22.3%	32.6%	1.8%	-1.7%	15.5%	14.2%
Workers' Welfare Fund	17.5%	8.5%	-20.6%	9.5%	33.4%	15.5%	14.2%
Other charges	119.4%	-95.6%	220.2%	-22.0%	-22.0%	-22.0%	-22.0%
Profit Before Provisions	19.2%	-11.1%	-18.7%	18.6%	33.5%	15.5%	14.3%
Provisions / (reversal of provisions)	286.4%	-123.9%	197.1%	-16.0%	-73.4%	-140.8%	520.2%
Profit before income tax	-14.6%	53.5%	0.5%	9.5%	11.9%	8.0%	5.1%
Income tax expense	-12.9%	18.3%	28.6%	18.8%	11.9%	8.0%	5.1%
Profit for the year	-15.8%	79.2%	-12.9%	2.8%	11.9%	8.0%	5.1%
EPS	-15.8%	79.2%	-12.9%	2.8%	11.9%	8.0%	5.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Yield on Earning Assets	%	8.26	7.21	10.79	10.95	11.31	11.45	11.45
Interest Cost	%	6.26	4.74	8.24	9.72	10.23	10.42	10.51
Net Interest Margin	%	2.00	2.47	2.55	1.23	1.08	1.03	0.94
Operating Cost to Income	%	48.17	55.62	67.03	63.59	56.33	56.32	56.31
Return on Equity	%	13.29	22.69	17.38	15.83	15.63	14.94	15.19
Return on Assets	%	0.63	1.04	0.75	0.67	0.66	0.62	0.57
Balance Sheet Analysis		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Deposits Growth	%	20.85	20.10	15.00	15.00	15.00	15.00	15.00
CASA to Deposits	%	64.62	63.44	62.62	62.62	62.62	62.62	62.62
Advances to Deposits	%	46.84	48.30	56.01	55.82	55.79	55.76	55.74
Investments to Deposits	%	67.99	53.01	54.26	54.18	54.02	53.78	53.46
PIBs to Investments	%	37.42	72.46	72.46	72.46	72.46	72.46	72.46
T Bills to Investments	%	58.55	23.32	23.32	23.32	23.32	23.32	23.32
Gross Infection Ratio	%	12.93	9.74	9.74	9.74	9.74	9.74	9.74
Provisioning Coverage	%	83.58	89.76	89.76	86.67	86.67	86.67	86.67
Net Infection Ratio	%	2.40	1.10	0.91	1.19	1.19	1.19	1.19
Capital Adequacy Ratio	%	16.23	12.27	11.73	11.57	11.44	11.30	10.41
Leverage Ratio	%	3.21	3.01	2.86	2.80	2.76	2.72	2.45
Operational Analysis		CY20	CY21	CY22	CY23E	CY24E	CY25E	CY26E
Market Share - Deposits	%	4.67	4.78	5.13	5.36	5.61	5.86	6.13
Market Share - Advances	%	5.21	5.26	5.48	5.73	5.99	6.27	6.55
Market Share - Investments	%	4.91	3.87	4.57	4.71	4.85	5.01	5.18
No. of Branches		636	662	689	717	747	777	809
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	%	21.10	0.00	0.00	21.10	21.10	21.10	42.19
Dividend Cover	x	2.33	0.00	0.00	3.75	4.19	4.53	2.38
Retention Ratio	%	57.17	100.00	100.00	73.31	76.15	77.91	57.95
Payout Ratio	%	42.83	0.00	0.00	26.69	23.85	22.09	42.05
No. of Shares	('m)	2974	2974	2974	2974	2974	2974	2974
Earnings Per Share		2.33	4.18	3.64	3.75	4.19	4.53	4.76
Book Value Per Share		17.57	18.44	21.96	24.67	27.82	31.29	32.32
Price to Earnings	x	2.03	1.13	1.30	1.27	1.13	1.05	1.00
Price to Book Value	x	0.27	0.26	0.22	0.19	0.17	0.15	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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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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