

**The Bank of Punjab (BOP)**

- The Bank of Punjab has posted 1HCY18 EPS of Rs 1.45 which is 74.7% higher than SPLY
- Net Interest Income has shown a growth of 27.9% in 1HCY18 to Rs9.2bn from Rs7.2bn in 1HCY17
- Deposits grew by 6.56% to Rs592.7bn during the 1H ending 30<sup>th</sup> June 2018, whereas advances grew by 21.5% during the same period
- To note; BOP's current Non-Performing Loans is around Rs50.3bn (Infection of 12.4% vs Industry average of 8.57%), whereas NPL coverage stands 89.7% at par with industry average of 89.45%
- During 2QCY18 BOP has raised Rs4.3bn as Tier-II capital through issuance of privately place TFCs. Now bank stands compliant with the CAR requirement, which has now improved to 12.66% as against 9.73% in Dec-17 (Banks are required to maintain CAR at 11.90% till Dec-18)
- Current Book Value is Rs 12.73 and LDGP is Rs 11.53 (Trading at 0.90x book value)
- Going forward, as bank has now adequate coverage on its NPLs any future earnings growth will strengthen book value further
- Bank currently trading at 4.3x and 3.5x to CY18 and CY19 estimates respectively. We have a buy call on BOP with a target price of Rs16/share

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**Valuation Methodology**

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method ( P/E, P/B etc.)
- Discounted Cash flow Method
- Sum of the parts {SOTP}
- Equity and Asset based valuation

**Rating**

- BUY Total return more than 20% from last closing of market price
- HOLD Total return is in between 10% and 20% from last closing of market price
- REDUCE Total return is less than 10% from last closing market price



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