BOP The Bank Of Punjab

PSX · BANK

Does the Government of Punjab's equity injection into BoP, on our valuation methodology, strengthen the case for a bank that trades below book value?

THE STORY

As you know, we have been following The Bank Of Punjab (BoP), and the Government of Punjab has now injected **PKR 20bn** as the 1st tranche of the approved equity. The approval for the equity injection is **UpTo PKR 30bn**, so this first tranche is part of a larger approved amount.

As a result, BoP will issue **523.56mn** shares to the Government of Punjab. This will be by way of a right offer at a price of **PKR 38.2/sh**, with the approval of SECP. BoP will intimate PSX upon completion of the issuance of the **523.56mn** shares to the Government of Punjab.

On valuation, at present BoP is yielding an expected book value of **PKR 35-36/sh**, which spells a PBV of **0.9x**. In plain terms, BoP trades below book value.

We consider this positive for BoP as per our valuation methodology. This is our reading of the fundamentals for your portfolio context, and the decision remains yours.

THE NUMBERS

Equity injected, 1st tranche
PKR 20bn
injected by the Government of Punjab

Approved equity injection
UpTo PKR 30bn
total approval, of which the 1st tranche is injected

Shares to be issued to the Government of Punjab
523.56mn
by way of right offer, with SECP approval

Right offer price
PKR 38.2/sh

Expected book value
PKR 35-36/sh
what BoP is yielding at present

PBV
0.9x
BoP trades below book value

WHAT WE ARE WATCHING

- Completion of the issuance of 523.56mn shares to the Government of Punjab, which BoP will intimate to PSX.
- SECP approval for the right offer at PKR 38.2/sh.
- Whether the remaining equity under the UpTo PKR 30bn approval is injected in further tranches.
- How the expected book value of PKR 35-36/sh and the PBV of 0.9x evolve as the new equity comes onto the balance sheet.

Shared with SCS Trade clients for long-term, portfolio context. This note summarises one SCS analyst's fundamental reading of the company's reported figures, for information and education. It is not a buy or sell instruction, not a price target, and not a solicitation to deal in any security, and it does not account for your personal circumstances. Figures are as reported by the analyst from company disclosures. Markets carry risk and past performance does not guarantee future results. Make your own decision, or consult a licensed advisor. Standard Capital Securities (Pvt.) Ltd. is a PSX member broker regulated by the SECP. Issued by SCS Research under research licence REP-033.

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

Rights offer to a shareholder

A rights offer is a way for a company to raise fresh equity by issuing new shares at a stated price, with regulatory approval where required. When the new shares are issued to a single large shareholder, such as a government, that shareholder supplies fresh capital and its ownership share changes accordingly. For a bank, more equity capital strengthens the balance sheet, and it also increases the number of shares outstanding. Investors therefore look at how the new capital and the new share count affect value per share.

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

Price to book value (PBV)

Price to book value compares what the market pays for a share with the accounting net worth the company holds per share. A PBV below one means the shares trade below book value, so the market is pricing the company at less than its stated net assets. Analysts use it widely for banks, whose balance sheets are largely financial assets and liabilities. It is a valuation yardstick rather than a prediction, and it depends on the quality of the assets behind the book value.

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