

## Commercial Banks

### 2QCY24: Banking Sector to Post an increase of 5%/y in Earnings

- For the 2QCY24, we expect sector earnings (IGI coverage banking universe) to increase by 5%/y to PKR 72bn compared to PKR 72bn last year same quarter, and down -16%q/q compared to PKR 85bn last quarter.
- We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL to post EPS of PKR 8.5/9.7/12.4/4.8/4.1/8.6/8.1 during 2QCY24 and DPS of PKR 4.00/11.0/8.0/3.0/1.0/4.0/4.0.
- Decrease in profitability during 2QCY24 on q/q basis can be mainly attributed to lower net interest margins due to declining asset yields while funding costs remain unchanged as the impact of the Jun-24 policy rate is likely to be reflected from 3QCY24.

#### Banking Sector: Earnings to incline by 5%/y during 2QCY24

For the 2QCY24, we expect sector earnings (IGI coverage banking universe) to increase by 5%/y to PKR 72bn compared to PKR 72bn last year same quarter, and down -16%q/q compared to PKR 85bn last quarter. Decrease in profitability during 2QCY24 on q/q basis can be mainly attributed to lower net interest margins due to declining asset yields while funding costs remain unchanged as the impact of the Jun-24 policy rate is likely to be reflected from 3QCY24.

Exhibit: IGI Banking Sector Earnings Preview 2QCY24				
PKR/share				
EPS	Jun-24	Mar-24	q/q	y/y
HBL	8.53	10.37	-18%	-4%
UBL	9.68	12.73	-24%	-5%
MCB	12.37	13.97	-11%	8%
BAFL	4.83	6.28	-23%	-3%
FABL	4.13	4.29	-4%	45%
ABL	8.59	9.92	-13%	0%
BAHL	8.11	9.01	-10%	19%
Banking Sector (PKRbn)	71.75	85.16	-16%	5%
DPS				
HBL	4.00	4.00		
UBL	11.00	11.00		
MCB	8.00	9.00		
BAFL	3.00	2.00		
FABL	1.00	1.00		
ABL	4.00	4.00		
BAHL	4.00	3.50		

#### Analyst

Sakina Makati  
[sakina.makati@igi.com.pk](mailto:sakina.makati@igi.com.pk)

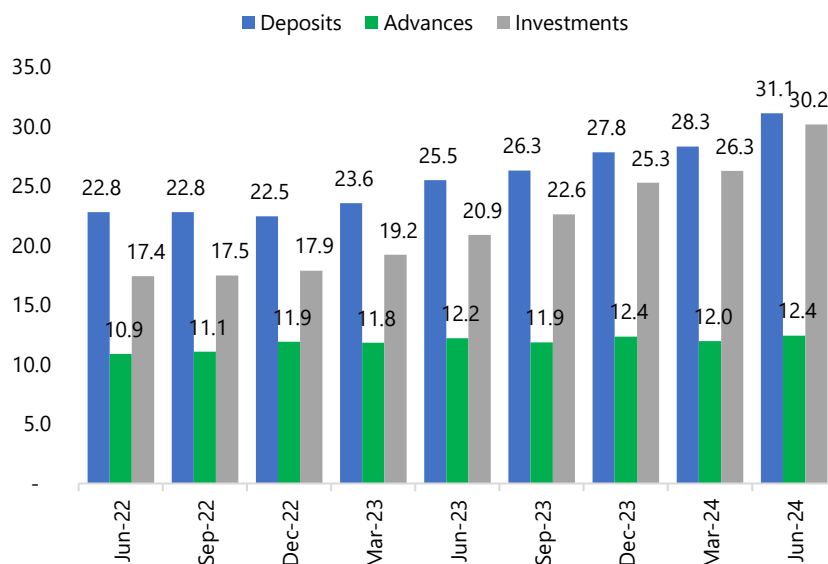
Source: IGI Research

We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL to post EPS of PKR 8.5/9.7/12.4/4.8/4.1/8.6/8.1 during 2QCY24 and DPS of PKR 4.00/11.0/8.0/3.0/1.0/4.0/4.0. The following factors to affect sector earnings in upcoming quarterly results:

- **Deposits/Advances:** Total sector deposits are expected to grow by ~22%/y/y/10%q/q to PKR 31.1tn whereas total advances to increase by ~2%/y/y/4%q/q to stand at PKR 12.4tn. Total investments to stand at PKR 30.2tn depicting a growth of 44%/y/y (15%q/q). Sector ADR dropped to 40% as at Jun-24 compared to 42% as at Mar-24 whereas IDR to increase to 97% in Jun-24 against 93% in Mar-24.
- **NII is likely to increase with decline in NIMs:** Net Interest Income is expected to grow by 6%/y/y/4%q/q whereas banking sector NIMs are to shrink owing to declining asset yields in the secondary market whereas cost of deposits remained high.
- **Non-markup income:** Fee Income is likely to report higher growth whereas normalized gain on sale of securities and stable FX income might lead to a decline in non-markup income as well.

#### Exhibit: Sector Deposits, Advances, and Investments

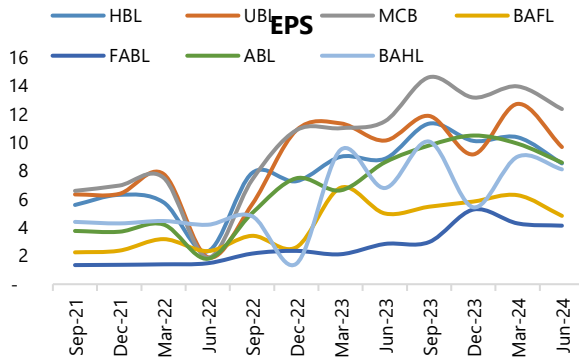
ADR has dropped down close to 40% from 42% and IDR increased to 97% from 93% since Mar-24.



Source: SBP, IGI Research

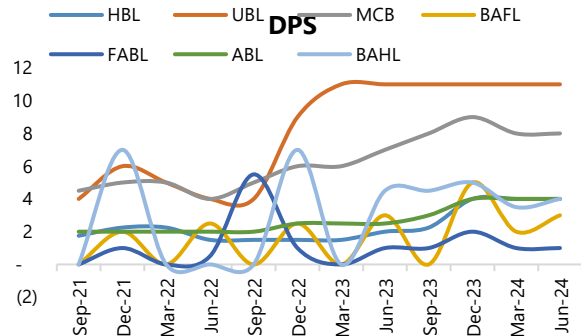
### Exhibit: Quarterly EPS Trend Since Jun-2021

All Banks to post decline in EPS on a quarterly basis



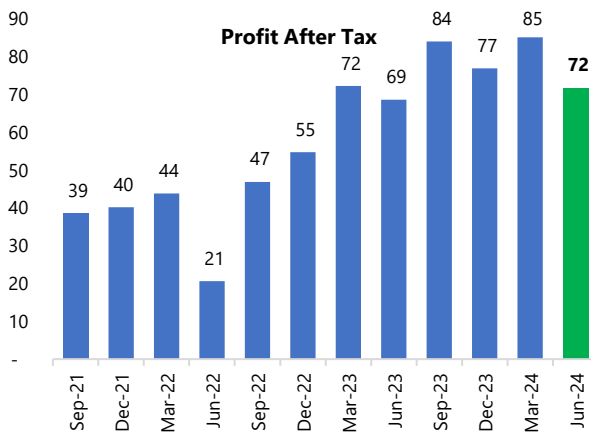
### Exhibit: Quarterly DPS Trend Since Jun-2021

Payouts to remain stable amid decline in profitability



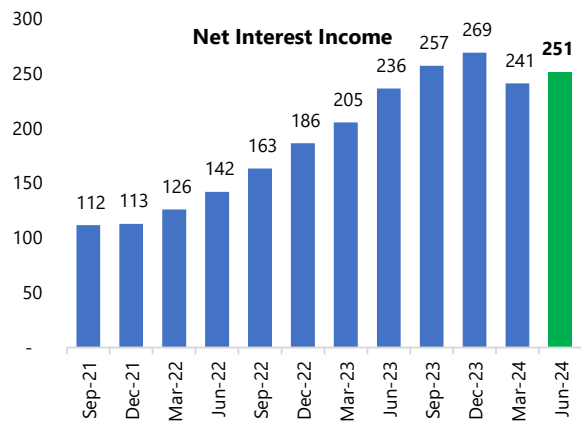
### Exhibit: IGI Banking Universe Profit After Tax (PAT)

PAT to take a dip due to lower NIMs



### Exhibit: IGI Banking Universe Net Interest Income (NII)

NII likely to be lower due to increase in deposits



Source: Company Financial Report, IGI Research

# Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

**Rating system:** IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

## Recommendation Rating System

Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2024 IGI Finex Securities Limited

# Contact Details

## Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

## Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Laraib Nisar	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 974	laraib.nisar@igi.com.pk

## IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
 Fax: (+92-21) 35309169, 35301780

### Lahore Office

Shop # G-009, Ground Floor,  
 Packages Mall  
 Tel: (+92-42) 38303560-69  
 Fax: (+92-42) 38303559

### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
 Block- B, Jinnah Avenue, Blue Area  
 Tel: (+92-51) 2604861-2, 2604864, 2273439  
 Fax: (+92-51) 2273861

### Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The  
 Regency International 949, The Mall  
 Faisalabad  
 Tel: (+92-41) 2540843-45

### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
 Model Town, Town Hall Road  
 Tel: (+92-68) 5871652-3  
 Fax: (+92-68) 5871651

### Multan Office

Mezzanine Floor, Abdali Tower,  
 Abdali Road  
 Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2024 IGI Finex Securities Limited