Day Break

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Commercial Banks

2QCY26: Banking Sector Earnings to increase by +3%y/y while decline by -5%q/q

- For the 2QCY26, we expect sector earnings (IGI coverage banking universe) to increase by +3%y/y to PKR 141.5bn compared to PKR 137.6bn recorded in the same period last year. On a sequential basis, the sector earnings are estimated to decline by -5%q/q, compared to PKR 149.7bn recorded in 1QCY26.
- We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP/MEBL to post EPS of PKR 11.9/15.6/11.5/2.4/3.2/7.1/7.3/8.4/13.6 during 2QCY26 and DPS of PKR 6.0/8.0/9.0/1.5/1.5/4.0/3.5/0.0/7.5.
- According to our estimates, net interest income for our banks' universe is expected to decline, however, NIMs are expected to remain resilient, supported by higher secondary market yields amid expectations of a policy rate hike.

Banking Sector: Earnings to post a growth of +3%y/y in 2QCY26 while decline by -5%q/q

For the 2QCY26, we expect sector earnings (IGI coverage banking universe) to increase by +3%y/y to PKR 141.5bn compared to PKR 137.6bn recorded in the same period last year. On a sequential basis, the sector earnings are estimated to decline by -5%q/q, compared to PKR 149.7bn recorded in 1QCY26. Our estimates show that on q/q basis, BAHL is expected to show highest growth in earnings of +15% followed by HBL with a growth of +8%. According to our estimates, even though earnings are expected to decline on a q/q basis, NIMs are expected to remain resilient, supported by higher secondary market yields amid expectations of a policy rate hike.

We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP/MEBL to post EPS of PKR 11.9/15.6/11.5/2.4/3.2/7.1/7.3/8.4/13.6 during 2QCY26 and DPS of PKR 6.0/8.0/9.0/1.5/1.5/4.0/3.5/0.0/7.5. The following factors to affect sector earnings in upcoming quarterly results:

- **Deposits/Advances:** As per the data published by SBP for Mar-26, total sector deposits stand at PKR 37.5trn up by remaining almost flat on a q/q basis while increasing by +19%y/y whereas total advances and investments were recorded at PKR 14.6tn (-2%q/q/+8%y/y) and PKR 39.1tn (+3%q/q/+21y/y). Sector ADR has declined to 39% compared to 40% as at Dec-25 whereas IDR has increased to 104% against 101% in Dec-25.

Analyst

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- **NII is likely to decrease q/q:** IGI's banking universe is expected to report a ~1.7% q/q decline in net interest income.
- **Non-markup Income**: Non-markup income is projected to decline, primarily on the back of lower trading gain on securities.

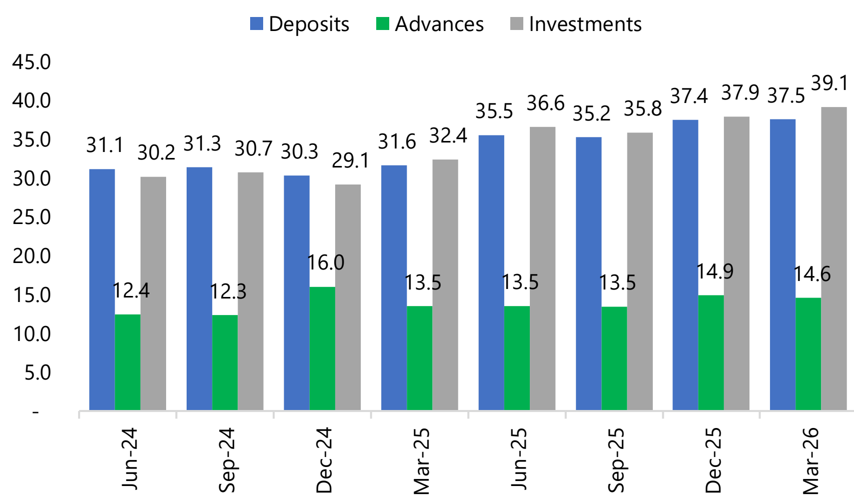
Exhibit: IGI Banking Sector Earnings Preview 2QCY26
PKR/share

EPS	Jun-26	Mar-26	q/q	Jun-25	y/y
HBL	11.9	11.0	8%	12.1	-2%
UBL	15.6	19.6	-20%	11.3	39%
MCB	11.5	10.8	7%	11.4	1%
BAFL	2.4	3.5	-32%	2.6	-8%
FABL	3.2	3.4	-4%	3.2	1%
ABL	7.1	7.2	-1%	8.5	-17%
BAHL	7.3	6.4	15%	8.2	-11%
NBP	8.4	7.9	7%	10.4	-19%
MEBL	13.6	13.0	5%	13.4	2%
Banking Sector (PKRbn)	141.5	149.7	-5%	137.6	3%
DPS					
HBL	6.00	6.00		4.50	
UBL	8.00	8.00		8.00	
MCB	9.00	9.00		9.00	
BAFL	1.50	1.50		2.50	
FABL	1.50	1.50		1.50	
ABL	4.00	4.00		4.00	
BAHL	3.50	3.50		3.50	
NBP	-	-		-	
MEBL	7.50	7.50		7.00	

Source: IGI Research, Company Financials

Exhibit: Sector Deposits, Advances, and Investments

ADR has decreased to 39% from 40% and IDR declined to 104% from 101% until Mar-26.



Source: SBP, IGI Research

Exhibit: Quarterly EPS Trend Since Mar-2025

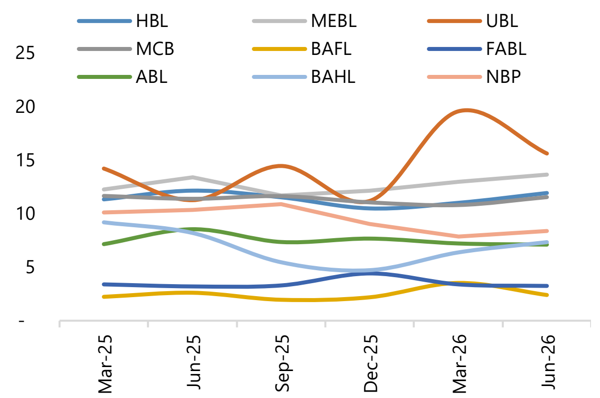


Exhibit: Quarterly DPS Trend Since Mar-2025

Payouts to remain stable amid excess liquidity with banks

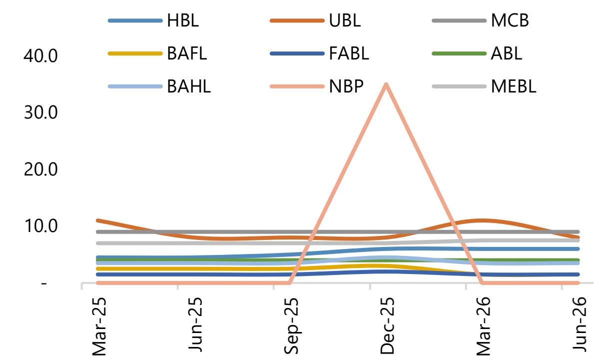


Exhibit: IGI Banking Universe Profit After Tax (PAT)

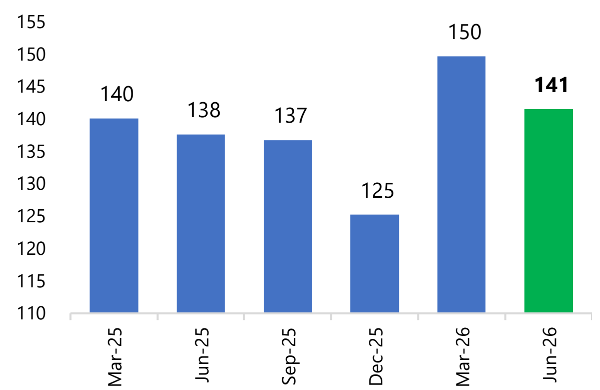
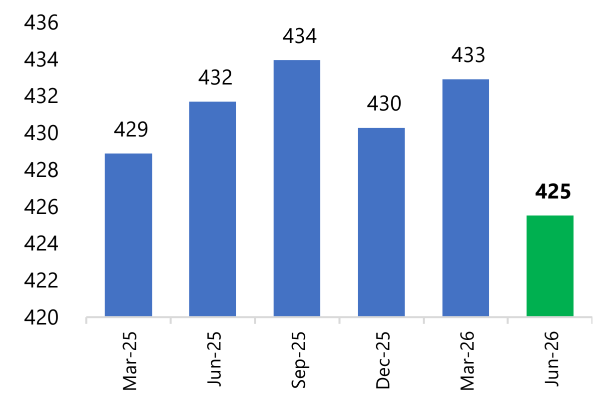


Exhibit: IGI Banking Universe Net Interest Income (NII)



Source: Company Financial Report, IGI Research

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