

## Commercial Banks

### 3QCY24: Banking Sector to Post an increase of 10%/y in Earnings

- For the 3QCY24, we expect sector earnings (IGI coverage banking universe) to increase by 10%/y to PKR 106bn compared to PKR 96bn in the same period last year. On a q/q basis, earnings are expected to surge by +44%.
- We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 10.1/14.8/15.1/7.8/5.2/9.9/11.2/5.3 during 3QCY24 and DPS of PKR 4.00/11.0/9.0/3.0/2.0/4.0/4.0.
- Increase in profitability during 3QCY24 on q/q basis can be mainly attributed to higher net interest margins on the back of decline in the banks' funding costs with the start of interest rate reversal cycle in June 2024 with the policy rate being cut by a cumulative 250 bps bringing down the deposit and borrowing rates for banks as they are linked to the changes in policy rate.

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

For the 3QCY24, we expect sector earnings (IGI coverage banking universe) to increase by 10%/y to PKR 106bn compared to PKR 96bn in the same period last year. On a q/q basis, earnings are expected to surge by +44%. Increase in profitability during 3QCY24 on q/q basis can be mainly attributed to higher net interest margins on the back of decline in the banks' funding costs with the start of interest rate reversal cycle in June 2024 with the policy rate being cut by a cumulative 250 bps bringing down the deposit and borrowing rates for banks as they are linked to the changes in policy rate.

We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 10.1/14.8/15.1/7.8/5.2/9.9/11.2/5.3 during 3QCY24 and DPS of PKR 4.00/11.0/9.0/3.0/2.0/4.0/4.0. The following factors to affect sector earnings in upcoming quarterly results:

- **Deposits/Advances:** As at Aug-24, total sector deposits stand at PKR 30.8trn down by -1% since Jun-24 whereas total advances and investments were recorded at PKR 11.8tn(-5%) and PKR 31tn(+3%) respectively from PKR 12.4tn and PKR 30.2tn in Jun-24. Sector ADR dropped to 38% as at Aug-24 compared to 40% as at Jun-24 whereas IDR has increased to 101% in Aug-24 against 97% in Jun-24. We expect the sector's ADR to grow in the next quarter as the banks aim to avoid additional taxation.

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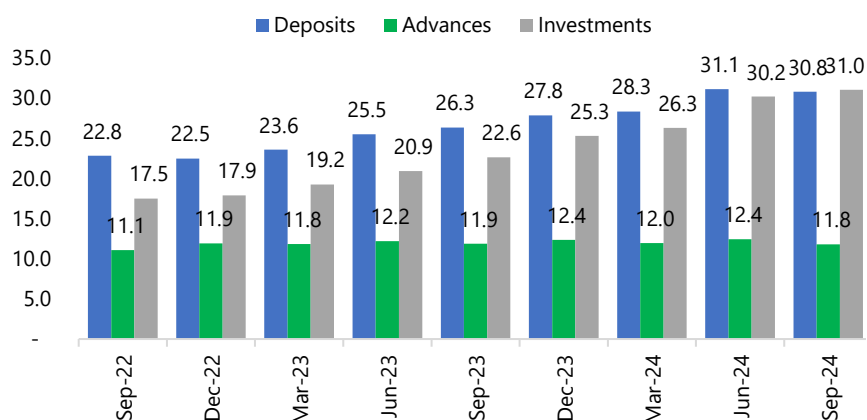
- **NII is likely to increase:** Net Interest Income is anticipated to grow by +7%q/q supported by the decline in funding costs for banks.
- **Non-markup Income:** Non-markup income is also expected to rise on a q/q basis on the back of higher fees and commission income whereas normalized gain on sale of securities and stable FX income will keep this growth in check.

Exhibit: IGI Banking Sector Earnings Preview 3QCY24							
PKR/share							
EPS	Sep-24	Jun-24	q/q	y/y	9M CY24	9M CY23	y/y
HBL	10.14	9.80	3%	-11%	30.31	29.20	4%
UBL	14.84	11.32	31%	25%	38.90	33.38	17%
MCB	15.09	12.98	16%	3%	42.04	37.14	13%
BAFL	7.76	6.79	14%	42%	20.84	17.28	21%
FABL	5.23	4.45	18%	76%	13.97	7.94	76%
ABL	9.90	10.72	-8%	1%	30.55	25.03	22%
BAHL	11.25	9.97	13%	12%	30.22	26.35	15%
NBP	5.32	(4.92)	nm	-7%	5.44	17.93	-70%
Total Banks (PKRbn)	106.27	73.95	44%	10%	276.10	263.10	5%
DPS							
HBL	4.00	4.00			12.00	5.75	
UBL	11.00	11.00			33.00	33.00	
MCB	9.00	9.00			27.00	21.00	
BAFL	3.00	2.00			7.00	3.00	
FABL	2.00	2.00			5.00	2.00	
ABL	4.00	4.00			12.00	8.00	
BAHL	4.00	3.50			11.00	9.00	
NBP	-	-			-	-	

Source: Company Financials, IGI Research

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

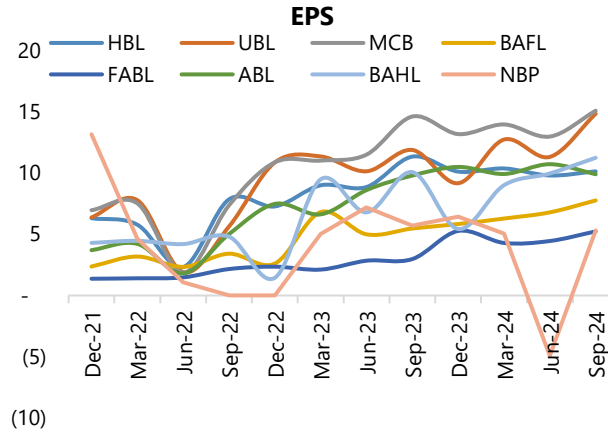
ADR has dropped down to 38% from 40% and IDR increased to 101% from 97% since Jun-24.



Source: SBP, IGI Research

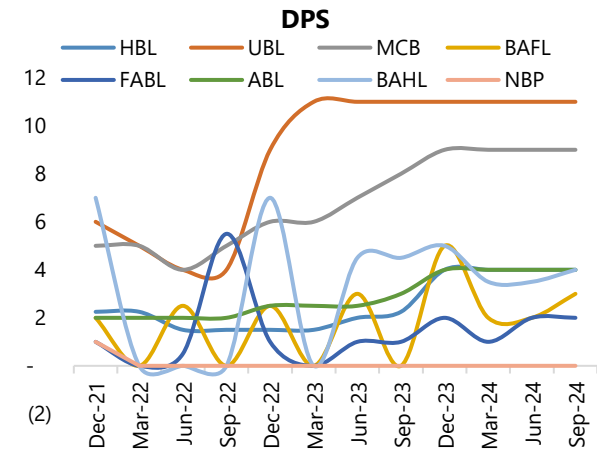
**Exhibit: Quarterly EPS Trend Since Dec-2021**

All Banks to post incline in EPS on a quarterly basis



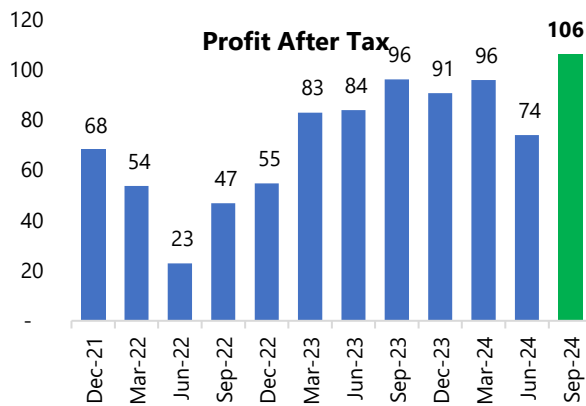
**Exhibit: Quarterly DPS Trend Since Dec-2021**

Payouts to remain stable amid excess liquidity with banks



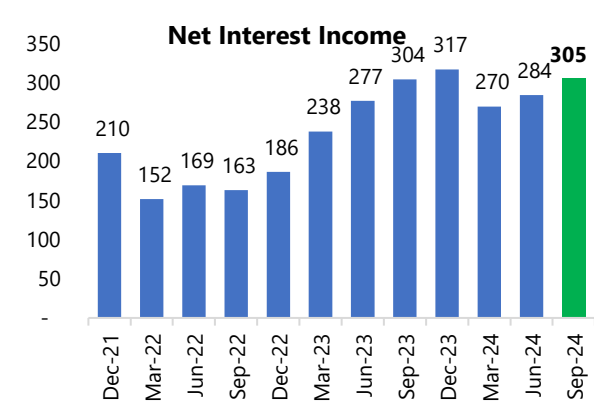
**Exhibit: IGI Banking Universe Profit After Tax (PAT)**

PAT to rise due to higher NIMs



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

NII likely to be higher due to increase in the banks' spreads



Source: Company Financial Report, IGI Research

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