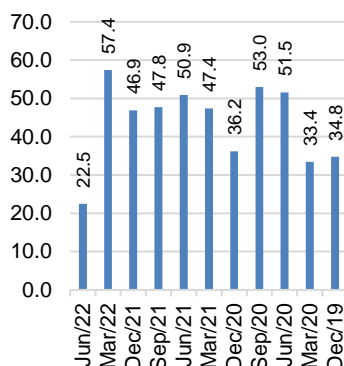


Sector Update

Exhibit: 2QCY22, EPS and DPS Preview

Sym.	EPS	DPS
HBL	2.3	1.0
NBP	2.9	0.0
MCB	1.2	1.0
UBL	1.0	0.8
ABL	1.2	0.5
BAFL	1.7	1.8
BAHL	3.1	0.0
FABL	1.0	0.5
AKBL	0.7	0.0

Exhibit: Banking Sector historical earnings.



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Commercial Banks

2qCY22: Higher Taxes to Downscale Bottom Lines

- For the 2qCy22, we expect sector earnings (IGI coverage banking universe) to post an earnings decline of 61%q/q (56%y/y), to PKR 22.5bn.
- This is mainly due to higher taxation.
- Apart from higher taxation, unfavorable market condition, particularly rising interest rates will affect banks' long-term fixed rate bond holdings, over 3m treasury bills holding, and equity.
- We may expect some revenue cushioning from Non-II specifically on FX income.

Profitability to take a major hit amid taxation measures

For the 2qCy22, we expect sector earnings (IGI coverage banking universe) to post an earnings decline of 61%q/q (56%y/y), to PKR 22.5bn.

This is mainly due to higher taxation including, (a) 10% super tax (additional 6% introduced recently), (b) increased corporate tax of 39% (35% previously), and (c) higher tax rates on income arising government securities for banks having a lower ADR ratios.

Apart from higher taxation, unfavorable market condition, particularly rising interest rates will affect banks' long-term fixed rate bond holdings, over 3m treasury bills holding, and equity. We may expect some revenue cushioning from Non-II specifically on FX income owing to healthy trade volumes and PKR volatility. On provision side, we do not see a major growth as yet on provision charge, with exception of MCB, ABL and FABL expected to show reversals.

For our coverage banks, UBL and MCB are likely to see a higher decline in earnings (>80%q/q) mainly due to lower ADR ratios (<50%). Followed by ABL and AKBL, eps decline of 71% q/q and 76% q/q.

Exhibit: Banking sector Dividends preview for 2qCy22

Pkr/sh								
Period end = Dec	Jun/22	Mar/22	q/q	Jun/21	y/y	1h2022	1h2021	y/y
HBL	3.4	8.6	-61%	9.5	-64%	12.0	18.0	-34%
NBP	6.3	9.8	-36%	9.3	-32%	16.1	17.0	-5%
MCB	1.4	8.9	-84%	8.0	-83%	10.3	14.7	-30%
UBL	1.2	9.5	-87%	7.6	-84%	10.8	15.0	-28%
ABL	1.4	4.8	-71%	4.7	-70%	6.2	8.8	-29%
BAFL	3.1	5.0	-39%	3.5	-12%	8.1	6.9	17%
BAHL	3.4	5.0	-31%	5.1	-33%	8.4	9.7	-14%
FABL	1.5	2.1	-30%	1.9	-22%	3.6	4.0	-10%
AKBL	0.8	3.6	-76%	1.4	-38%	4.5	4.1	8%
Total (in PKRbn)	22.5	57.4	-61%	50.9	-56%	79.9	98.3	-19%

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