

Commercial Banks

1QCY25: Banking Sector to Post -10%/y/-3%q/q drop in Earnings

- For the 1QCY25, we expect sector earnings (IGI coverage banking universe) to decrease by -10%/y to PKR 86.5bn compared to PKR 95.9bn recorded in the same period last year. On a q/q basis, earnings are expected to decline by -3%.
- We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 7.2/17.5/10.5/3.8/3.0/6.1/8.9/6.9 during 1QCY25 and DPS of PKR 4.00/12.0/9.0/2.0/1.5/4.0/4.0/0.0.
- In response to a sustained decline in inflationary pressures, the State Bank of Pakistan adopted a monetary easing stance, slashing the policy rate by 1,000 bps- from 22% to 12%. This significant reduction in interest rates led to a compression in the banks' net interest margins (NIMs), due to declining asset yields. However, the Banks' non-markup income is expected to rise on the back of increase in fees and commission income which will provide some respite to the sector's overall profitability.

Banking Sector: Earnings to decline by 10%/y during 1QCY25

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- **Deposits/Advances:** As per the data published by SBP as at Mar-20, 2025, total sector deposits stand at PKR 31.0trn up by +2% since Dec-24 whereas total advances and investments were recorded at PKR 14.7tn (-8%) and PKR 30tn (+3%) respectively from PKR 16.0tn and PKR 29.1tn in Dec-24. Sector ADR has declined to 48%

Analyst

Sakina Makati
sakina.makati@igi.com.pk

compared to 53% as at Dec-24 whereas IDR has increased to 97% against 96% in Dec-24.

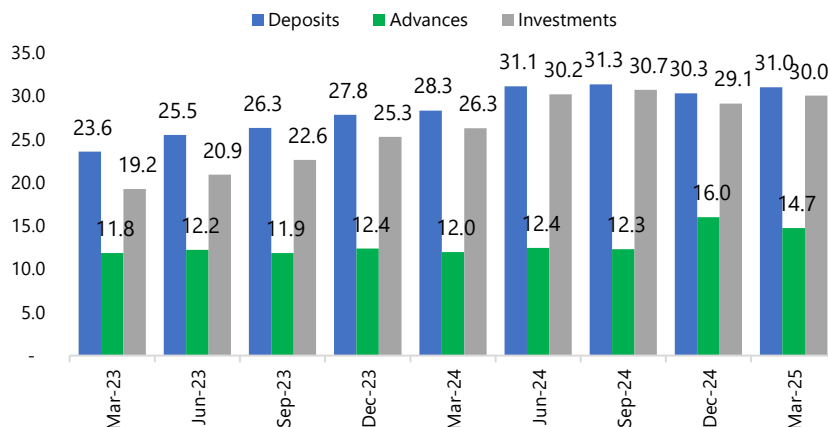
- **NII is likely to decrease q/q:** IGI's banking universe net interest income is anticipated to decline by ~-2.4%q/q on the back of declining yields on investments amid falling interest rates environment.
- **Non-markup Income:** Non-markup income is expected to witness a rise on the back of higher fees and commission income generated from higher transaction volumes.

Exhibit: IGI Banking Sector Earnings Preview 1QCY25					
PKR/share					
EPS	Mar-25	Dec-24	q/q	Mar-24	y/y
HBL	7.2	9.8	-26%	10.4	-30%
UBL	17.5	20.9	-16%	12.7	38%
MCB	10.5	7.7	36%	14.0	-25%
BAFL	3.8	3.0	26%	6.3	-39%
FABL	3.0	2.2	41%	4.3	-30%
ABL	6.1	6.6	-8%	9.9	-39%
BAHL	8.9	6.1	46%	9.0	-1%
NBP	6.9	8.4	-18%	5.0	36%
Banking Sector (PKRbn)	86.5	89.3	-3%	95.9	-10%
DPS					
HBL	4.00	4.25		4.00	
UBL	12.00	11.00		11.00	
MCB	9.00	9.00		9.00	
BAFL	2.00	2.50		2.00	
FABL	1.50	2.50		1.00	
ABL	4.00	4.00		4.00	
BAHL	4.00	6.50		3.50	
NBP	-	8.00		-	

Source: IGI Research

Exhibit: Sector Deposits, Advances, and Investments

ADR has dropped to 48% from 53% and IDR increased to 97% from 96% since Dec-24.



Source: SBP, IGI Research

Exhibit: Quarterly EPS Trend Since Dec-2022

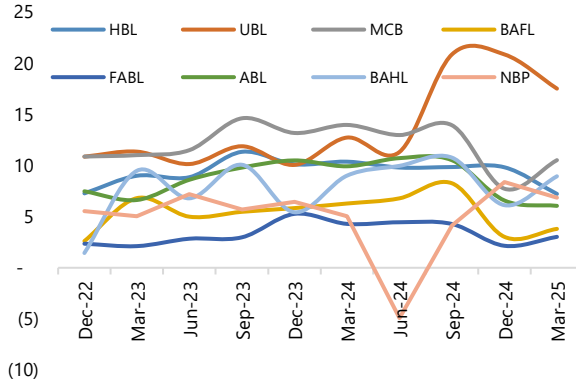


Exhibit: Quarterly DPS Trend Since Dec-2022

Payouts to remain stable amid excess liquidity with banks

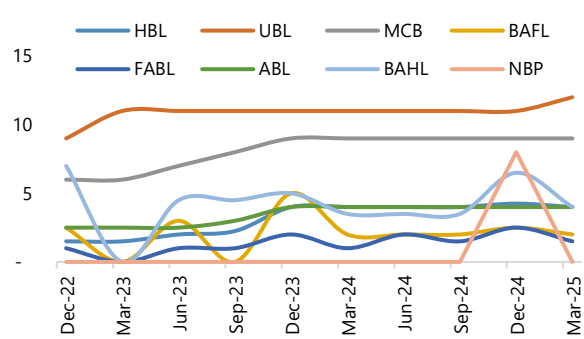


Exhibit: IGI Banking Universe Profit After Tax (PAT)

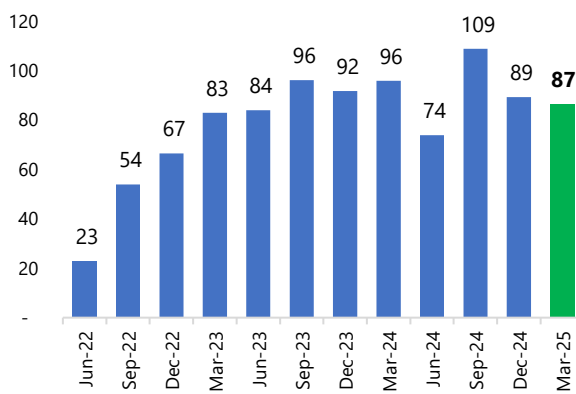
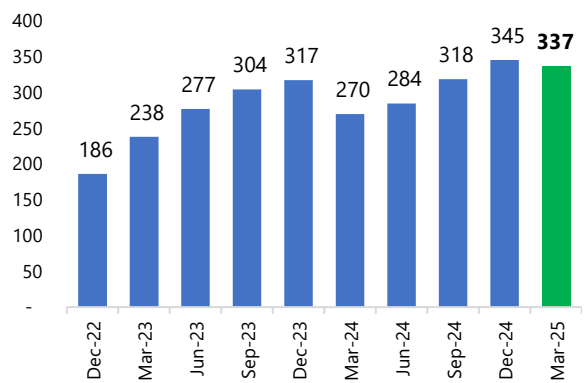


Exhibit: IGI Banking Universe Net Interest Income (NII)



Source: Company Financial Report, IGI Research

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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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

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Corporate member of Pakistan Mercantile Exchange Limited

Website: 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

3rd Floor, Kamran Centre,
 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

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Research Identity Number: BRP009

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