Day Break

Tuesday, April 14, 2026

IGI Securities
SERVING YOU SINCE 1994

Commercial Banks

1QCY26: Banking Sector Earnings to increase by +8%q/q while decline by -6%y/y

- For the 1QCY26, we expect sector earnings (IGI coverage banking universe) to decrease by -6%y/y to PKR 111.5bn compared to PKR 118.1bn recorded in the same period last year. On a sequential basis, the sector earnings are estimated to incline by +8%q/q, compared to PKR 103.4bn recorded in 4QCY25.
- We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 11.0/12.5/12.1/4.4/4.4/8.1/6.0/9.5 during 1QCY26 and DPS of PKR 5.0/8.0/9.0/2.5/1.5/4.0/3.5/0.0.
- We believe that the interest rates have bottomed out and there can be a potential rate hike by SBP in April or June 2026 given the expectations of elevated inflation due to elevated fuel prices amid global geopolitical uncertainty.

Banking Sector: Earnings to post a growth of +8%q/q in 1QCY26 while decline by -6%y/y

For the 1QCY26, we expect sector earnings (IGI coverage banking universe) to decrease by -6%y/y to PKR 111.5bn compared to PKR 118.1bn recorded in the same period last year. On a sequential basis, the sector earnings are estimated to incline by +8%q/q, compared to PKR 103.4bn recorded in 4QCY25. Our estimates show that on q/q basis, BAHL is expected to show highest growth in earnings of +27% followed by UBL with a growth of +11%. Due to the significant reduction in policy rate from the peak of 22% to 10.5% by the central bank, the NIMs of the banking sector will remain under pressure however banks' focus on boosting low cost deposits will support profitability going forward. However, we believe that the interest rates have bottomed out and there can be a potential rate hike by SBP in April or June 2026 given the expectations of elevated inflation due to elevated fuel prices amid global geopolitical uncertainty.

We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 11.0/12.5/12.1/4.4/4.4/8.1/6.0/9.5 during 1QCY26 and DPS of PKR 5.0/8.0/9.0/2.5/1.5/4.0/3.5/0.0. The following factors to affect sector earnings in upcoming quarterly results:

- **Deposits/Advances:** As per the data published by SBP for Feb-26, total sector deposits stand at PKR 36.6trn up by +2%q/q/+16%y/y whereas total advances and investments were recorded at PKR 14.5tn (+6%q/q/+8%y/y) and PKR 39.2tn (+7%q/q/+21y/y). Sector

Analyst

Sakina Makati
sakina.makati@igi.com.pk

ADR has inclined to 40% compared to 38% as at Dec-25 whereas IDR has increased to 107% against 102% in Dec-25.

- **NII is likely to increase q/q:** IGI's banking universe net interest income is anticipated to incline by ~+3.3%q/q driven by banks' continued focus on expanding low-cost deposits.
- **Non-markup Income**: Non-markup income is projected to rise, primarily on the back of stronger fee and commission income amid higher transaction volumes.

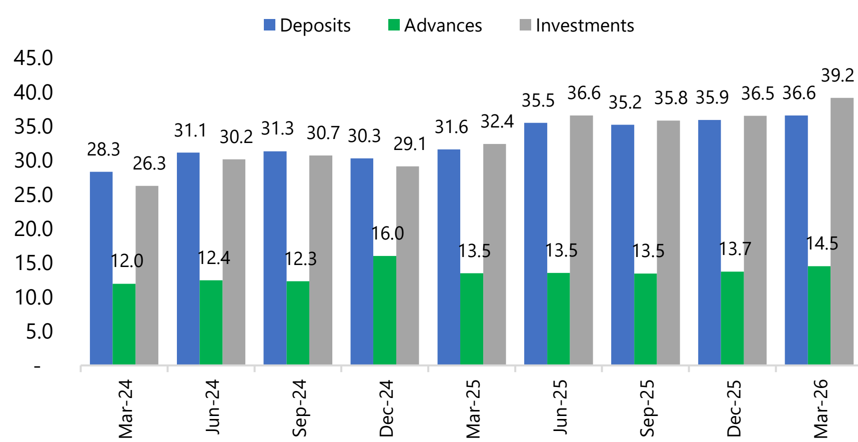
Exhibit: IGI Banking Sector Earnings Preview 1QCY26
PKR/share

EPS	Mar-26	Dec-25	q/q	Mar-25	y/y
HBL	11.0	10.5	5%	11.3	-3%
UBL	12.5	11.2	11%	14.2	-12%
MCB	12.1	11.1	10%	11.7	4%
BAFL	4.4	4.4	0%	4.5	-2%
FABL	4.4	4.4	-1%	3.4	29%
ABL	8.1	7.7	6%	7.2	14%
BAHL	6.0	4.7	27%	9.2	-35%
NBP	9.5	9.1	5%	10.1	-6%
Banking Sector (PKRbn)	111.2	103.4	8%	118.1	-6%
DPS					
HBL	5.00	6.00		4.50	
UBL	8.00	8.00		11.00	
MCB	9.00	9.00		9.00	
BAFL	2.50	3.00		2.50	
FABL	1.50	2.00		1.50	
ABL	4.00	4.00		4.00	
BAHL	3.50	3.50		3.50	
NBP	-	35.00		-	

Source: Company, Financials, IGI Research

Exhibit: Sector Deposits, Advances, and Investments

ADR has increased to 40% from 38% and IDR declined to 107% from 102% since Dec-25.



Source: SBP, IGI Research

Exhibit: Quarterly EPS Trend Since Mar-2024

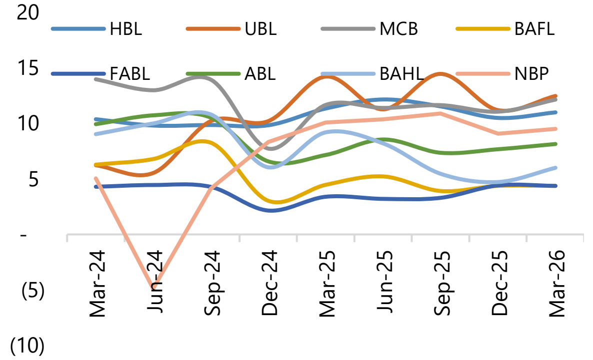


Exhibit: Quarterly DPS Trend Since Mar-2024

Payouts to remain stable amid excess liquidity with banks

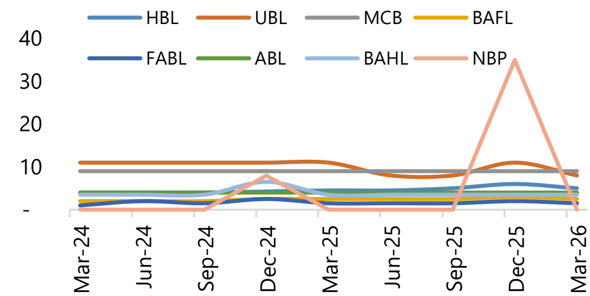


Exhibit: IGI Banking Universe Profit After Tax (PAT)

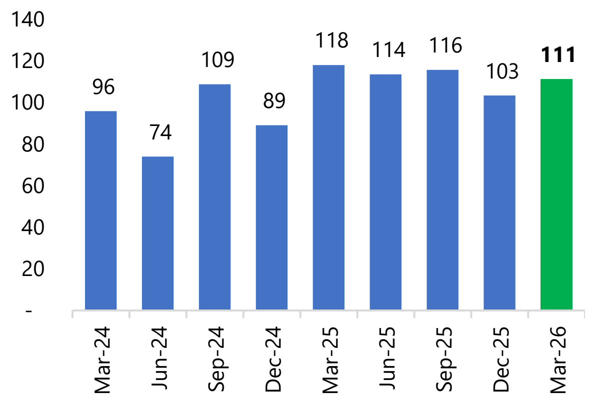
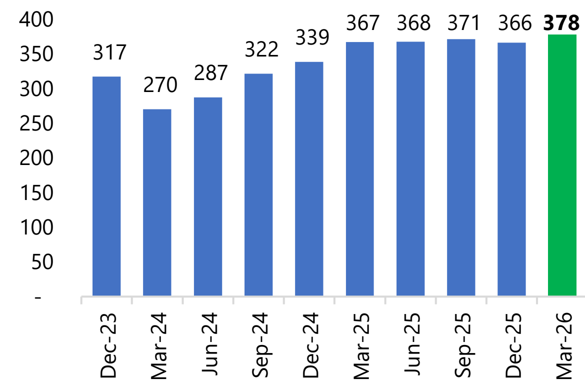


Exhibit: IGI Banking Universe Net Interest Income (NII)



Source: Company Financial Report, IGI Research

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. All Research Analysts are receiving fixed pay and reporting directly to Head of Research who reports to CEO.

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)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

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

Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Syeda Mahrukh Hameed	Regional Head (North)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Faraz Naqvi	Branch Manager (Karachi)	Tel: (+92-21) 111 234 234 Ext: 826	faraz.naqvi@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
Syed Muzammil Hasan Rizvi	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 569	muzammil.rizvi@igi.com.pk
Sufyan Siddiqui	Database Officer	Tel: (+92-21) 111-234-234 Ext: 888	sufyan.siddiqui@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

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
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

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009