

Commercial Banks

2QCY25: Banking Sector Earnings to increase by a modest 1%q/q

- For the 2QCY25, we expect sector earnings (IGI coverage banking universe) to increase by a meagre 1%q/q to PKR 118.8bn compared to PKR 118.1bn recorded in the same period last year. On a y/y basis, earnings are expected to incline by 61%.
- We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 10.5/12.5/11.5/4.6/3.3/7.1/10.5/12.5 during 2QCY25 and DPS of PKR 4.5/9.0/9.0/2.5/1.5/4.0/4.0/0.0.
- Due to the significant reduction in policy rate from the peak of 22% to 11% by the State Bank of Pakistan in response to the sustained decline in inflation, the NIMs of the banking sector will remain under pressure however non-interest income will support profitability going forward.

Banking Sector: Earnings to post a minor uptick of 1%q/q during 2QCY25

For the 2QCY25, we expect sector earnings (IGI coverage banking universe) to increase by a meagre 1%q/q to PKR 118.8bn compared to PKR 118.1bn recorded in the same period last year. On a y/y basis, earnings are expected to incline by 61% mainly due to boost in earnings recorded by NBP as compared to last year. Due to the significant reduction in policy rate from the peak of 22% to 11% by the State Bank of Pakistan in response to the sustained decline in inflation, the NIMs of the banking sector will remain under pressure however non-interest income will support profitability going forward.

We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 10.5/12.5/11.5/4.6/3.3/7.1/10.5/12.5 during 2QCY25 and DPS of PKR 4.5/9.0/9.0/2.5/1.5/4.0/4.0/0.0. The following factors to affect sector earnings in upcoming quarterly results:

- **Deposits/Advances:** As per the data published by SBP till May-25, total sector deposits stand at PKR 32.7trn up by +3% since Mar-25 whereas total advances and investments were recorded at PKR 13.0tn (-3%) and PKR 34.6tn (+7%) respectively from PKR 13.5tn and PKR 32.4tn in Mar-25. Sector ADR has declined to 40% compared to 43% as at Mar-25 whereas IDR has increased to 106% against 102% in Mar-25.

Analyst

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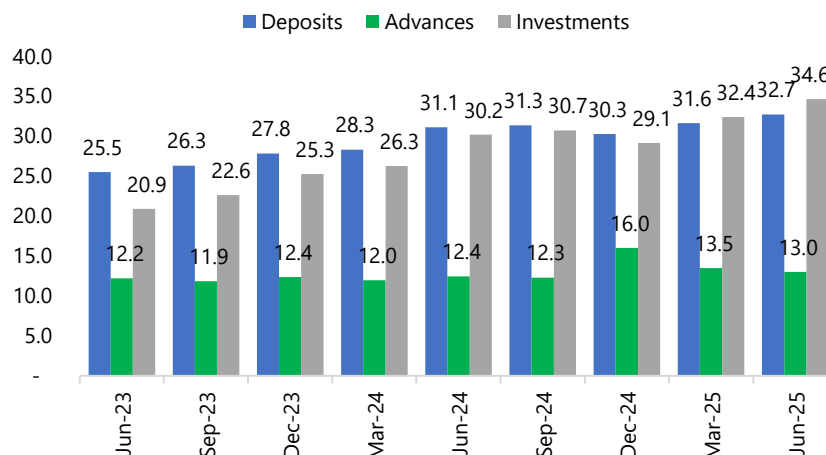
- **NII is likely to decrease q/q:** IGI's banking universe net interest income is anticipated to decline by ~-3.6%q/q on the back of declining yields on investments amid falling interest rates environment.
- **Non-markup Income:** Non-markup income is expected to witness a rise on the back of higher fees and commission income generated from higher transaction volumes.

Exhibit: IGI Banking Sector Earnings Preview 2QCY25								
PKR/share								
EPS	Jun-25	Mar-25	q/q	Jun-24	y/y	1HCY25	1HCY24	y/y
HBL	10.5	11.3	-8%	9.8	7%	21.8	20.2	8%
UBL	12.5	14.2	-12%	5.5	125%	26.7	11.8	127%
MCB	11.5	11.7	-1%	13.0	-11%	23.1	26.9	-14%
BAFL	4.6	4.5	2%	6.8	-33%	9.0	13.1	-31%
FABL	3.3	3.4	-2%	4.4	-26%	6.7	8.7	-23%
ABL	7.1	7.2	-1%	10.7	-34%	14.2	20.6	-31%
BAHL	10.5	9.2	14%	9.8	7%	19.7	18.9	4%
NBP	12.5	10.1	24%	(4.9)	nm	22.6	0.1	nm
Banking Sector (PKRbn)	118.8	118.1	1%	73.7	61%	326.3	261.3	25%
DPS								
HBL	4.50	4.50		4.00		9.00	8.00	
UBL	9.00	11.00		11.00		20.00	22.00	
MCB	9.00	9.00		9.00		18.00	18.00	
BAFL	2.50	2.50		2.00		5.00	4.00	
FABL	1.50	1.50		2.00		3.00	3.00	
ABL	4.00	4.00		4.00		8.00	8.00	
BAHL	4.00	3.50		3.50		7.50	7.00	
NBP	-	-		-		-	-	

Source: IGI Research

Exhibit: Sector Deposits, Advances, and Investments

ADR has dropped to 40% from 43% and IDR increased to 106% from 102% since Mar-25.



Source: SBP, IGI Research

Exhibit: Quarterly EPS Trend Since Mar-2023

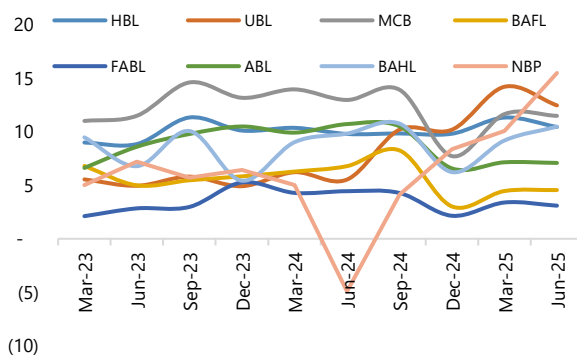


Exhibit: Quarterly DPS Trend Since Mar-2023

Payouts to remain stable amid excess liquidity with banks

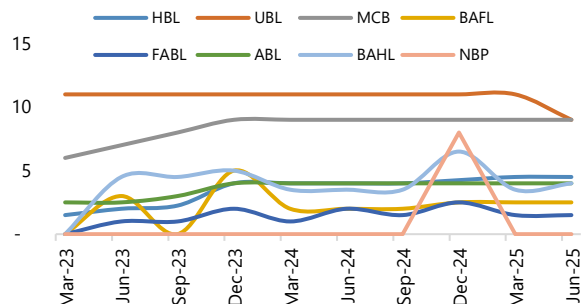


Exhibit: IGI Banking Universe Profit After Tax (PAT)

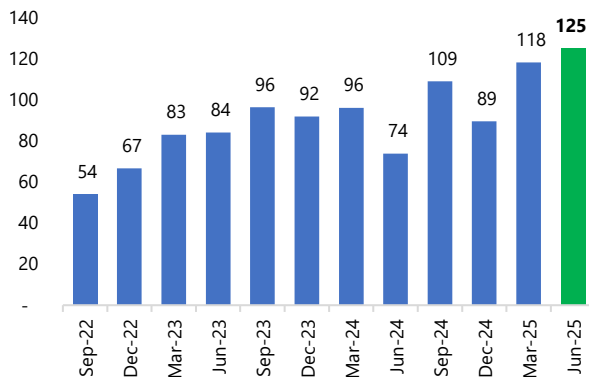
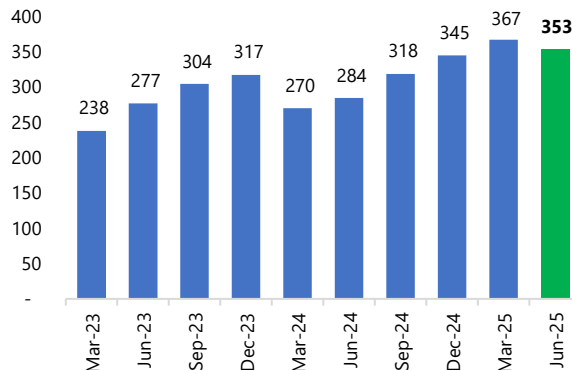


Exhibit: IGI Banking Universe Net Interest Income (NII)



Source: Company Financial Report, IGI Research

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