

Banks Preview – 1QCY23

Earnings to rise on the back of lower provisions



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We preview IIS banking universe 1QCY23 result, where earnings are projected to increase by 7% QoQ. However, the trend among individual banks is mixed, with half showing an increase while the other half showing a decrease. On aggregate level, the growth drivers are higher NII and lower provisions on investment portfolio.

The earnings of BAHL, BAFL, HBL and MEBL are expected to increase mainly due to lower investment-related provisions and higher NII. On the other hand, MCB and ABL are expected to report a decline in profitability on QoQ basis due to higher provision (both banks are yet to take a major provision on GOP Eurobond portfolio) and tax rates. The earnings of UBL are set to decrease mainly due to absence of a one-off gain recorded in the previous quarter from the sale of subsidiary. Lastly, BOP's profitability is expected to decrease on the back of higher NPL provisions (versus provision reversal in last quarter) and lower non markup income.

Net Interest Income (NII) is expected to increase by 4% QoQ, mainly due to the 100bps hike in Nov-22 and higher investment yield on account of faster repricing of floating rate instruments.

Total Provisions are expected to decrease by 42% as most banks have provided for the ratings downgrade of Pakistan Eurobonds in Dec-22. However, NPL provisions are likely to trend upward due to higher markup rates and slowdown in economic activity.

Non-Markup income is likely to decrease by 8% mainly due to absence of one-offs gains that were realized in last quarter. Operating expenses are likely to increase in this quarter due to very high inflation.

Due to removal of ADR related tax, the effective tax rate is expected to come at 43%.

IIS Banks: 1QCY23 estimates

PKR mn	1QCY23	4QCY22	QoQ	1QCY22	YoY
Net Interest Income	239,934	229,888	4%	150,413	4%
Non Markup Income	46,716	50,762	-8%	41,844	-8%
Operating Expenses	132,125	123,572	7%	102,968	7%
Provisions	18,083	30,930	-42%	37	-42%
Profit before tax	134,927	124,872	8%	88,425	8%
Profit after tax	76,606	71,499	7%	53,066	7%

Source: Company Accounts, IIS Research

IIS Banks: 1QCY23 estimates

EPS	1QCY23	4QCY22	QoQ	1QCY22	YoY
HBL	9.4	7.3	29%	5.8	-2%
MCB	9.4	11.7	-20%	7.7	-8%
UBL	9.8	10.8	-9%	7.6	-7%
BAHL	6.5	1.4	350%	4.5	-4%
BAFL	3.6	2.6	37%	3.2	-26%
ABL	5.8	7.5	-23%	4.2	-12%
BOP	0.6	1.1	-47%	0.8	56%
MEBL	10.4	9.2	14%	5.1	-8%

DPS	1QCY23	4QCY22	QoQ	1QCY22	YoY
HBL	2.5	1.5	67%	2.3	11%
MCB	6.0	6.0	0%	5.0	20%
UBL	6.0	9.0	-33%	5.0	20%
BAHL	0.0	7.0	-100%	0.0	n.m
BAFL	0.0	2.5	-100%	0.0	n.m
ABL	2.5	2.5	0%	2.0	25%
BOP	0.0	0.0	n.m	0.0	n.m
MEBL	3.5	3.0	17%	1.6	120%

Source: Company Accounts, IIS Research

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Relative Valuation (P/E, P/B, P/S etc.)

Equity & Asset return based methodologies (EVA, Residual Income etc.)

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