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Pakistan Banks

Profitability to remain strong

NII to increase and PAT to decline sequentially

AFSCLSA Banking Universe is expected to post strong profits in 2QCY24, amidst sequential decline of ~9%. Net interest income is anticipated to jump by ~6% QoQ. However, provisioning expenses are projected to rise QoQ. Moreover, strong dividend payouts (quarterly payments) shall continue. Recall that most of the banks in AFSCLSA universe have started quarterly payouts.

Net interest income to rise QoQ: Net interest income is projected to rise slightly (~6%) QoQ. Note that SBP began monetary easing cycle in June 2024, minimal impact might be reflected in the upcoming results.

Profit after tax to decline QoQ: Profit after tax is expected to decline QoQ by ~9%, along with a rise in provisioning expenses. This is in stark contrast to last quarter (Ex-BAHL) that saw some provisioning reversals. Operating expenses shall also be on the higher side as inflationary pressures remain. Gain on securities is anticipated to be lower this quarter as UBL booked huge gains in 1QCY24.

Dividend payouts to continue: Impressive dividend payouts shall continue in the second quarter as well. All banks in Alfalah CLSA Banking Universe (Ex-BIPL) are expected to pay quarterly dividends.

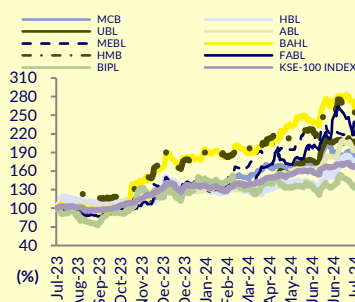
Outlook: We anticipate policy rate to end at 17/14% by Dec-24/25. CY25 earnings are anticipated to decline YoY as policy rate goes down, however, the decline shall be contained due to deposit growth.

Bank-wise profitability-2QCY24

EPS (PKR)	2QCY24E	1QCY24	2QCY23	QoQ	YoY
MCB	14.3	15.0	12.4	-4.8%	15.6%
HBL	10.8	10.4	8.9	3.7%	21.5%
UBL	9.1	13.1	10.4	-30.1%	-12.2%
ABL	8.3	10.1	8.7	-17.9%	-4.2%
MEBL	13.9	14.2	9.7	-1.9%	44.1%
BAHL	7.9	9.2	6.8	-14.0%	15.9%
HMB	6.1	5.5	5.8	12.4%	5.2%
FABL	3.4	4.4	2.9	-22.2%	18.1%
BIPL	2.7	2.9	3.0	-6.4%	-8.8%

Source: Company Account, Alfalah CLSA Research

Banks vs. KSE100 performance



Source: PSX, Alfalah CLSA Research

Bank-wise dividends-2QCY24

DPS (PKR)	2QCY24E	1QCY24	2QCY23	QoQ	YoY
MCB	8.6	9.0	7.0	8.6	9.0
HBL	4.3	4.0	2.0	4.3	4.0
UBL	8.7	11.0	11.0	8.7	11.0
ABL	4.0	4.0	2.5	4.0	4.0
MEBL	6.9	7.0	4.0	6.9	7.0
BAHL	3.5	3.5	4.5	3.5	3.5
HMB	6.0	0.0	5.0	6.0	0.0
FABL	1.0	1.0	1.0	1.0	1.0
BIPL	0.0	0.0	0.0	2.7	2.9

Source: Company Account, Alfalah CLSA Research

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