

# Banks: 1QCY22 earnings to decline 8% QoQ, but still rise 5% YoY

April 19, 2022

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## 1QCY22 earnings to decline 8% QoQ, but still rise 5% YoY

- We present 1QCY22 result previews of Akseer's banking universe. We expect profitability of the sector to decline 8% QoQ to PKR 38.7bn in 1QCY22 as NIMs are expected to bear the brunt of abrupt rise in interest rates. However, 1Q earnings will likely be up 5% on YoY basis.
- We expect Net Interest Income (NII) of our banking universe to remain flat at PKR 116.6bn on QoQ basis despite significant jump in deposit cost on the back of sharp increase in policy rates in late Nov/Dec-21. However, NIMs are likely to grow by 13% YoY on the back of strong balance sheet growth.
- Non-interest income will likely to decline by 14% QoQ to PKR 31.3bn due to absence of higher forex income during 1QCY22. While, non-interest income to grow by 7% YoY 1Q on the back of higher fee & commission income.
- For 1QY22, we have built provisioning expense at PKR 6.5bn compared to PKR 2.2bn in the preceding quarter, as most of the banks booked hefty provision reversals, last year.
- With the ongoing network expansion by some of the banks coupled with increasing digitalization activities, the operating expenses are likely to remain on the higher side during 1Q, and rise 11% YoY to PKR 76.9bn.
- Effective tax rate is expected to clock in at 40% in 1QCY22 versus 39%, last year due to lower ADR for some of the banks.

Akseer Banking Universe (PKR bn)			
	1QCY22E	YoY	QoQ
Net Interest income	116.6	13%	1%
Non-interest income	31.3	7%	-14%
Provisions	6.5	177%	203%
Operating Expenses	76.9	11%	-2%
Profit before tax	64.5	6%	-10%
Profit after tax	38.7	5%	-8%

1QCY22 earnings & dividend estimates (PKR)				
	EPS	YoY	QoQ	DPS
BAFL	2.1	8%	0%	-
BAHL	4.0	-4%	-7%	-
HBL	5.8	2%	3%	1.75
MCB	5.7	-1%	-19%	5.00
UBL	6.1	1%	-8%	4.50
MEBL	4.8	28%	-11%	1.50

Source: Company accounts, Akseer Research

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