

Banks CY20 results preview

- We present 4Q/CY20 previews for our banking sector coverage.
- We expect our coverage universe to register a decline in earnings to the tune of 6%YoY/25%QoQ during 4QCY20.
- Deposits of all the scheduled banks have recorded a 22.2%YoY growth in Dec'20 that is the highest growth during the past 13 and a half years after 24.2%YoY growth reported in Jun'07.
- Total advances of all the scheduled banks increased by 4.2% during CY20 compared to 3.4% in CY19, bringing down ADR from 55.8% a year ago to 47.5% in Dec'20.
- Higher deposits were largely placed in government papers and total investments of all the scheduled banks during CY20 increased by 40%YoY taking the IDR to 64.5% compared to 54.7% a year ago.
- During 4QCY20, NII of the sector is expected to dip 10%QoQ while it is expected to increase by 9% on YoY basis as a result of expansion in balance sheets.
- Revival of economic activities during 4QCY20 is likely to result in a 5%QoQ growth in fee income that is expected to remain flat on YoY basis.
- We have not incorporated any capital gains in our estimates that do pose a risk to our estimates.
- Nominal increase is expected in operating expenses.
- Provisions charge is expected to fall on QoQ basis while still remaining higher on YoY basis, as a lot of banks booked huge general provisions during 3QCY20.
- From our coverage universe, HBL is the only bank that is expected to report a positive growth number for 4QCY20 on YoY basis.
- CY20 earning however, are expected to register a jump of 33%YoY due to 26bps increase in NIMs despite 625bps reduction policy rate during the year (23% growth expected in NII), and significantly higher capital gains compared to capital losses last year. Heavy provisions were also witnessed during the year, which also include general provisions that the banks booked to safeguard their asset quality going forward.
- Along with the results the banks in general are expected to announce final cash dividends whereas MCB, HBL and UBL from our coverage universe and ABL outside our coverage, are expected to announce cumulative dividends as their dividend payouts were suspended since Jun'20 as per the directive of the SBP.
- We remain over-weight on the banking sector with HBL, and UBL as our top picks.

EPS estimates

	4QCY20E	YoY	QoQ	CY20E	YoY
BAFL	1.64	-16%	6%	6.33	-11%
BAHL	2.65	-29%	-50%	14.47	44%
BOP	0.60	-23%	-27%	2.81	-10%
HBL	5.52	21%	-19%	22.69	117%
MCB	6.22	-4%	-26%	25.97	29%
MEBL	2.98	-8%	-34%	15.76	190%
UBL	3.44	-13%	-11%	16.24	4%

Source: Company Accounts, Next Research

DPS estimates

	4QCY20E	CY20E
BAFL	1.00	3.00
BAHL	5.00	5.00
BOP	0.75	0.75
HBL	10.00	11.25
MCB	15.00	20.00
MEBL	2.00	6.00
UBL	8.50	11.00

Source: Company Accounts, Next Research

Shahab Farooq

shahab.farooq@nextcapital.com.pk

+92-21-35222 203

Annexure

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