Banks: Asset repricing to support 3QCY26 earnings

- We preview 3QCY26 results for Pakistan banks which are expected to broadly report QoQ increase. The 100bp rate hike is expected to drive asset-led repricing, supporting yields and net interest income this quarter.
- Within our coverage universe, we expect 3QCY26 EPS of Rs13.33 (+16% YoY) for HBL, Rs5.40 (+2% YoY) for HMB, Rs3.84 (+17% YoY) for FABL, Rs7.00 (+28% YoY) for BAHL, Rs2.65 (-32% YoY) for BAFL, Rs13.90 (+9% YoY) for MCB, Rs15.40 (+32% YoY) for MEBL, Rs4.70 (-36% YoY) for AKBL.
- Dividend policies for 3QCY26 are expected to be maintained.

Most banks to report drop in NII

We preview 3QCY26 earnings for Pakistan banks, with sector profitability expected to improve QoQ. The 100bp policy rate hike in Apr-26 is expected to drive asset-led repricing, supporting yields on interest-earning assets and NIM expansion. The benefit from lagged investment book repricing should partially offset higher marginal funding costs. A relatively higher proportion of current account (CA) deposits now would also cushion the rise in cost of funds.

On the cost side, operating expenses are projected to rise YoY, tracking elevated inflation for the quarter vs last year, which should push the universe's cost-to-income ratio up to ~50% from 48% in the same period last year.

JS Banking Earnings preview

Rs	EPS					DPS	
	3QCY26E	YoY	QoQ	9MCY26E	YoY	3QCY26E	9MCY26E
HBL*	13.33	16%	7%	36.84	5%	6.00	18.00
HMB	5.40	2%	31%	14.18	-13%	2.50	7.50
FABL	3.84	17%	20%	10.44	6%	1.50	4.50
BAHL	7.00	28%	-3%	20.58	-10%	3.50	10.50
BAFL	2.65	-32%	-18%	9.41	-31%	1.50	4.50
MCB*	13.90	9%	11%	37.51	0%	9.00	27.00
MEBL	15.40	32%	9%	42.55	14%	8.00	23.50
AKBL	4.70	-36%	1%	13.90	-38%	2.00	6.00

Source: Company announcements, JS Research **Consolidated*

Capital buffers remain comfortable, with average capital adequacy near 17% at 2QCY26 end, leaving the sector with good cushion above the minimum threshold.

During 1QFY27, banking sector deposits grew 15% YoY to Rs119.1tr, while advances increased 11% YoY to Rs44.4tr, indicating a gradual recovery in credit demand. ADR declined to 37% from 38% in 1QFY26, while the IDR eased by 2ppts YoY to 103%, reflecting a gradual shift in banks' balance-sheet allocation towards lending.

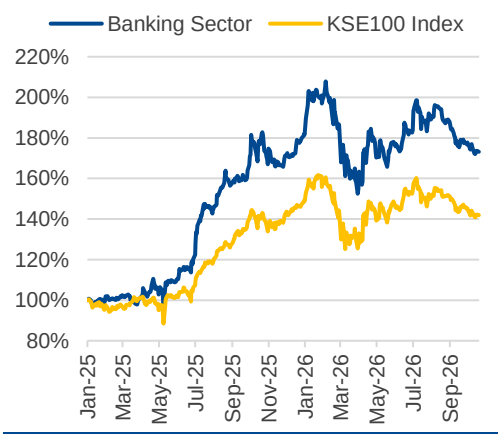
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Secondary market yields

	1QCY26 end	2QCY26 end	3QCY26 end	QoQ
3M	11.28%	11.60%	11.64%	0.04%
6M	11.64%	11.63%	11.84%	0.21%
12M	11.90%	11.60%	12.20%	0.60%
3YR	12.45%	11.69%	12.73%	1.04%
5YR	12.49%	11.80%	12.72%	0.92%
10YR	12.78%	12.19%	12.74%	0.55%

Source: MUFAP, JS Research

Sector performance relative to KSE100



Source: SBP, JS Research

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