

KSE-100 banking sector's profitability



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REP-300

Highest ever half year profit in 1HCY25

Sana Tawfik

D: +92 21 38280264

UAN: +92 21 111 245 111, Ext: 248

E: sana.tawfik@arifhabibltd.com

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 Best Bank for Research: '25
 Best for Research: '24
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 Best Investment Bank: '23

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CFA Society Pakistan

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INTERNATIONAL FINANCE

Best Brokerage House:
 2023

FinanceAsia

Best Broker: '25
 Best Equity Capital
 Market House: '25

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ASSET AWARDS
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Best Gender Equality Bond: '24
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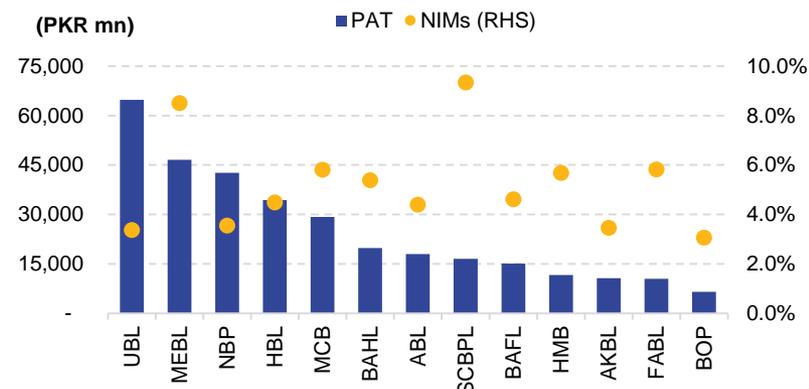
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Pakistan Banking Sector

Highest ever half year profit in 1HCY25

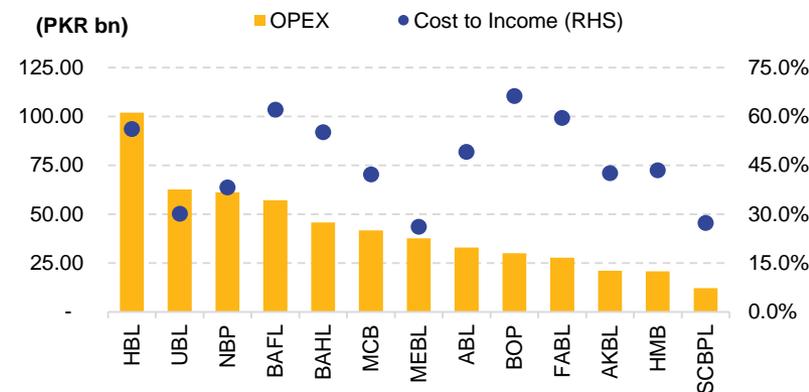
- **Marking a milestone start to 2025, the KSE-100 banking sector recorded its highest-ever half-year profit after tax (PAT) at PKR 326bn, a 19% YoY increase.**
- The winning streak carried into 2QCY25, where PAT hit PKR 160bn, a sharp 23% YoY climb, powered by balance sheet growth and diversified income streams.
- At the core, Net Interest Income remained the heavy lifter, reaching a staggering PKR 1.0trn in 1HCY25 (+22% YoY). In 2QCY25, NII alone clocked PKR 510bn, a solid 20% YoY leap, backed by expanding asset volumes.
- Adding another layer of strength, non-markup income rose to PKR 255bn in 1HCY25 (+7% YoY), while 2QCY25 delivered PKR 132bn (+9% YoY).
- Breakdown of non-markup drivers in 1HCY25 shows:
 - Fee income: PKR 141bn, surging 13.6% YoY, fueled by robust digital and trade-related activity.
 - FX income: PKR 49bn, holding steady (+0.2% YoY) on a relatively stable currency backdrop.
 - Gains on securities: PKR 39bn, edging up 2.9% YoY, thanks to tactical portfolio plays.
- Operating expenses (OPEX) increased to PKR 553bn in 1HCY25, up 18.2% YoY, while 2QCY25 stood at PKR 285bn, up 17% YoY, reflecting the broader inflationary environment. Nevertheless, the sector's cost-to-income ratio (CIR) held firm at 46% in 1HCY25, just marginally higher than 45.4% in 1HCY24.

Exhibit: KSE-100 banking sector profitability and NIMs



Source (s): Company financials, AHL Research

Exhibit: KSE-100 banking sector operational efficiency

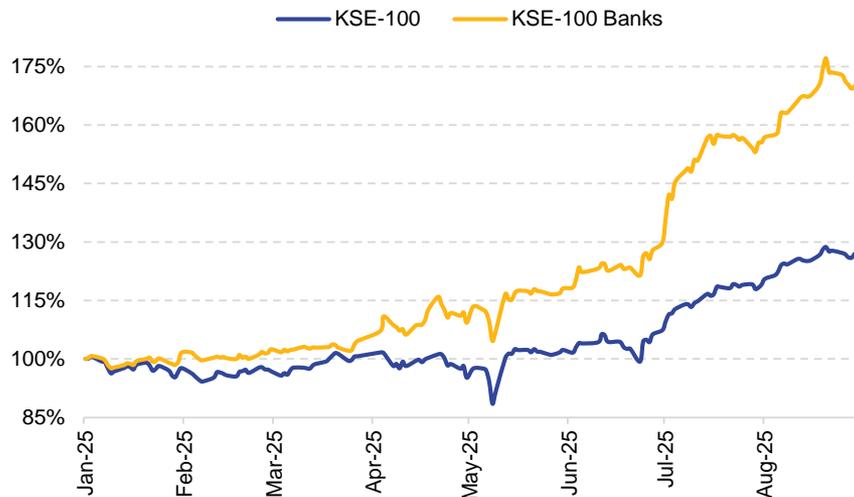


Source (s): Company financials, AHL Research

Pakistan Banking Sector

Key highlights

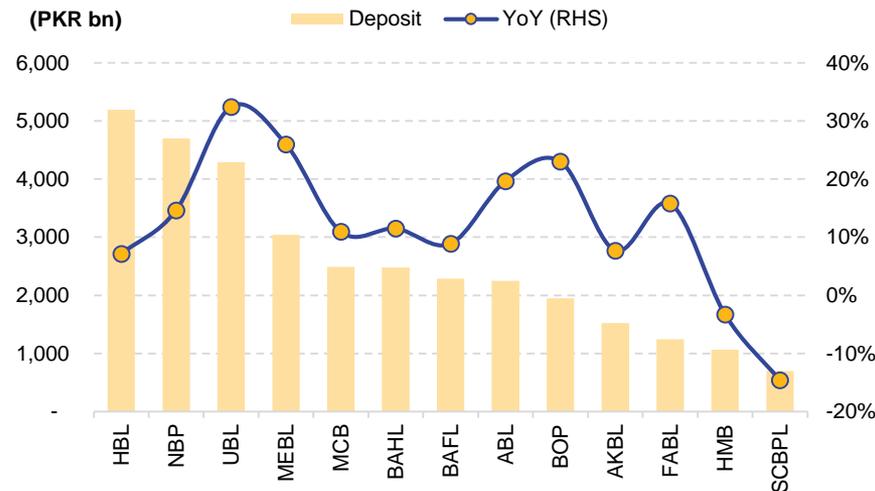
Exhibit: Relative performance of KSE-100 and Banking Sector*



Source (s): PSX, Bloomberg, AHL Research, *KSE-100 Banking Companies

- **The banking sector has delivered an exceptional run in 2025, with returns of 70% CY25TD** compared to the KSE-100's 27% gain, translating into a massive 43% edge over the benchmark.
- The rally has been underpinned by record profitability in 1HCY25, resilient asset quality, and surprise dividend announcements that boosted investor confidence.
- Within the sector, NBP led the charge with an extraordinary 148% gain, followed by UBL at 111% and AKBL at 105%, each benefiting from strong earnings momentum and capital distribution.

Exhibit: Bank wise deposit growth



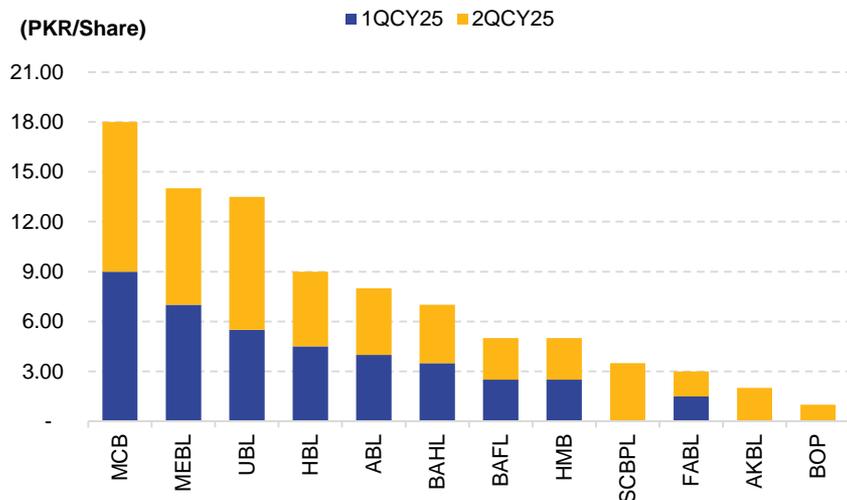
Source (s): Company financials, AHL Research

- **Deposits reached record highs in 2QCY25**, with 11 out of 13 KSE-100 banks posting their highest-ever levels, reflecting strong liquidity mobilization and aggressive targeting of current account deposits.
- UBL led YoY growth with a stellar 32% jump to PKR 4.3trn, followed by MEBL at 26% (PKR 3.0trn) and BOP at 23% (PKR 1.9trn).
- In absolute terms, HBL held the largest deposit base at PKR 5.2trn, followed by NBP at PKR 4.7trn and UBL at PKR 4.3trn.

Pakistan Banking Sector

Key highlights

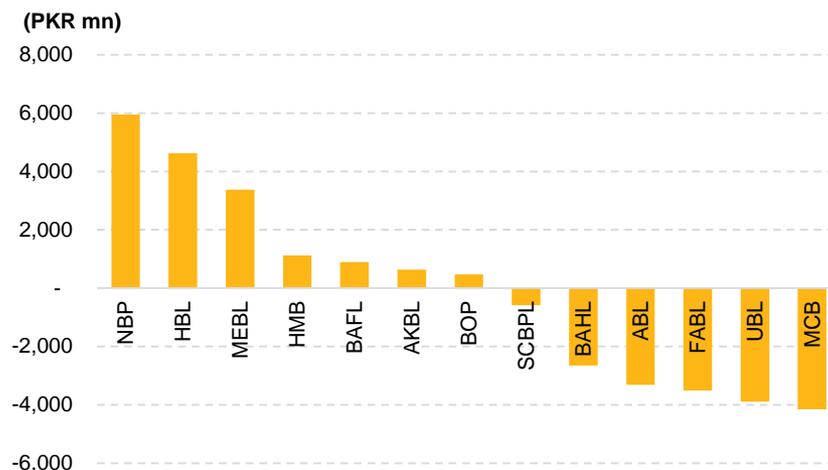
Exhibit: KSE-100 Banks quarterly DPS



Source (s): Company financials, AHL Research, NBP gives only final dividend as per policy

- **Surprises on the dividend front added to the sector's momentum.**
- BOP declared an interim dividend of PKR 1/share in 2QCY25, the first-ever in its history, made possible by the recent bank's nod permitting interim payouts.
- Meanwhile, AKBL announced a dividend of PKR 2/share in 2QCY25, marking its first such payout since 2QCY14.

Exhibit: KSE-100 banks provisioning charges / (reversal)



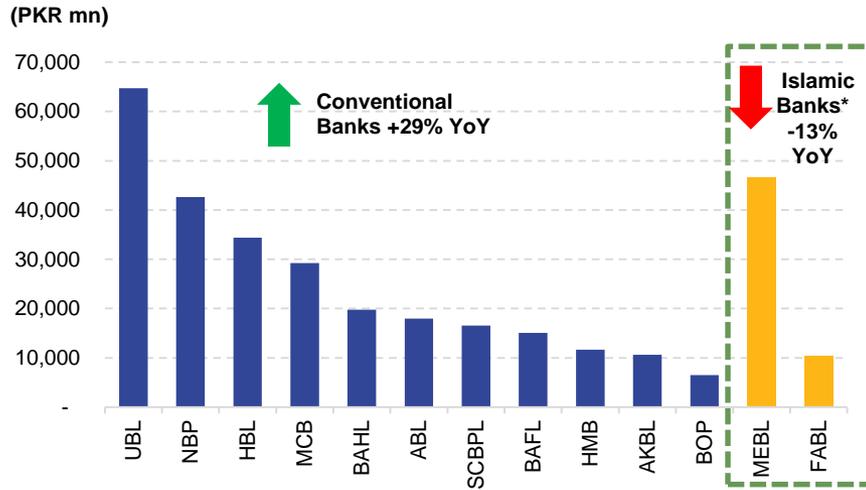
Source (s): Company financials, AHL Research

- **The sector reported a modest net provisioning reversal of PKR 1bn in 1HCY25, highlighting relatively benign trends in asset quality.**
- Within the half year, 2QCY25 posted reversals of PKR 6.3bn, compared to a provisioning charge of PKR 5.2bn in 1QCY25.
- This represents a sequential turnaround, reflecting a swing from provisioning charges in 1QCY25 to sizeable reversals in 2QCY25.

Pakistan Banking Sector

Key highlights

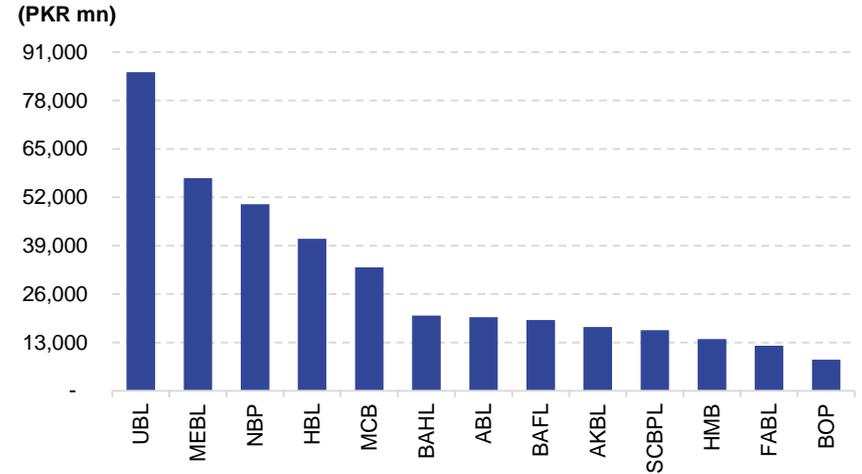
Exhibit: Headwinds pulled KSE-100 Islamic banks profitability



Source (s): Company financials, AHL Research, *Only full-fledged IBs

- **Islamic banks faced a double squeeze in 1HCY25, hit by both the broader decline in interest rates and the regulatory change effective Jan'25.**
- The new framework imposed MDR on IBIs' PKR savings deposits (excluding financial institutions, public sector enterprises, and public limited companies).
- These headwinds pulled the profitability of KSE-100 listed full fledged Islamic banks down 13% YoY to PKR 57bn, with NII slipping 9% YoY to PKR 160bn.
- In contrast, conventional banks, despite the rate cut environment, managed to post strong growth in earnings (+29% YoY) in 1HCY25, with NII soaring 31% YoY to PKR 855bn.

Exhibit: KSE-100 banks remained a key contributor to the national exchequer



Source (s): Company financials, AHL Research

- **The banking sector remained a key contributor to the national exchequer**, with an average effective tax rate of 54% in 1HCY25 versus 48% in 1HCY24.
- This translated into a hefty tax contribution of PKR 394bn in 1HCY25, up 44% YoY.
- On a sequential basis, taxation stood at PKR 205bn in 2QCY25, reflecting a sharp 61.8% QoQ increase.

Pakistan Banking Sector

1HCY25: AHL's banking universe key milestones



- MEBL delivered sector-best ROE of 36.4% by Jun'25, backed by strong asset quality (infection 2.5%, coverage 149%) and record deposits up 18% CY25TD to PKR 3.04trn.



- UBL's deposits surged to an all-time high, exceeding PKR 4.3trn by Jun'25, reflecting strong deposit mobilization across its network.



- HBL delivered record 1HCY25 results with all-time high earnings of PKR 34.4bn and deposits crossing PKR 5.2trn, driven by a record PKR 440bn addition in current accounts (CA ratio: 40.5%).



- NBP posted its strongest 1H ever in 1HCY25, with deposits hitting a record PKR 4.7trn and profitability soaring to PKR 42.7bn, a staggering 61x YoY jump.



- MCB's deposits rose to PKR 2.2trn by Jun'25, with Current Deposits up PKR 256bn (+27% YTD) crossing PKR 1trn and lifting their share to 54%, boosting the bank's low-cost funding base and market share to 5.6%.



- BAFL posted record deposits of PKR 2.3trn (+9% YoY) and its highest-ever 1HCY25 payout of PKR 5.0/share.



- AKBL posted record 1HCY25 earnings of PKR 10.6bn, and announced its first interim dividend in 11 years at PKR 2.0/share (PKR 2.9bn) in 2QCY25, compared to its last payout of PKR 1.0/share (PKR 1.3bn) in 1QCY14.



- FABL's deposits reached an all-time high of PKR 1.24trn as of Jun'25, marking the strongest level in its history.



- BOP delivered record 1HCY25 earnings of PKR 6.5bn, up 38% YoY, and announced its first-ever interim dividend of PKR 1.0/share. Deposits also hit a historic high of PKR 1.9trn by Jun'25.

Pakistan Banking Sector

KSE100 banks 1HCY25 result summary | consolidated

	ABL	AKBL	BAFL	BAHL	BOP	FABL	HBL	HMB	MCB	MEBL	NBP	SCBPL	UBL	Sector
Income Statement (PKR mn)														
Mark-up/interest earned	143,648	148,692	188,423	178,131	135,015	83,999	323,552	83,864	160,221	209,535	410,941	48,787	564,016	2,678,823
Mark-up/interest expensed	91,922	106,068	120,800	111,623	99,196	49,547	185,909	47,834	81,265	83,794	280,311	16,319	388,587	1,663,176
Net markup-up/interest income	51,726	42,624	67,623	66,508	35,818	34,451	137,643	36,030	78,956	125,741	130,630	32,468	175,429	1,015,647
Total non-mark-up/interest income	15,462	7,034	24,493	16,608	9,533	12,201	44,273	11,732	19,934	18,910	29,775	11,931	33,049	254,936
- Fees, comm. & Brokerage	9,070	3,588	7,758	12,114	6,374	8,098	22,332	5,627	12,309	14,025	18,242	4,733	16,488	140,759
- Dividend Income	1,374	415	1,411	353	169	204	1,764	447	2,285	173	3,206	141	1,364	13,307
- FX Income	2,956	1,754	5,351	3,554	723	3,728	4,106	4,190	5,194	3,239	3,531	4,347	6,595	49,268
- Gain/(loss) on sale of securities	1,687	962	8,175	(434)	2,663	210	9,443	1,387	(125)	669	4,630	2,036	8,147	39,450
- Other Income	375	314	1,799	1,021	(396)	(39)	6,628	80	272	804	167	675	454	12,153
Total income	67,188	49,658	92,116	83,116	45,352	46,652	181,916	47,762	98,890	144,651	160,405	44,399	208,478	1,270,582
Total provisions	(3,313)	637	897	(2,649)	465	(3,514)	4,631	1,120	(4,155)	3,379	5,951	(587)	(3,889)	(1,028)
Operating Expense	32,950	21,140	57,083	45,781	30,000	27,743	101,938	20,712	41,697	37,657	61,183	12,079	62,599	552,563
Profit before tax	37,802	27,880	34,136	39,984	14,887	22,548	75,347	25,929	62,547	104,327	93,271	32,907	150,373	721,939
Total taxation	19,817	17,185	19,060	20,194	8,367	12,123	40,899	13,922	33,158	57,186	50,193	16,344	85,641	394,091
Profit after tax*	17,984	10,638	15,062	19,787	6,481	10,425	34,387	11,637	29,233	46,604	42,663	16,563	64,723	326,187
EPS (PKR)	15.71	7.36	9.55	17.80	1.98	6.87	23.44	11.11	24.67	25.97	20.05	4.28	25.85	
DPS (PKR)	8.00	2.00	5.00	7.00	1.00	3.00	9.00	5.00	18.00	14.00	-	3.50	13.50	
Balance Sheet (PKR bn)														
Net Advances	736	514	1,010	903	727	719	1,973	526	773	1,145	1,307	210	1,063	11,607
Deposits	2,246	1,521	2,288	2,476	1,946	1,243	5,194	1,061	2,491	3,042	4,703	697	4,292	33,201
Investments	2,084	1,928	1,638	1,939	1,425	702	4,297	846	2,219	2,400	5,030	516	8,881	33,905
Borrowings	669	979	556	441	240	211	1,525	288	678	515	1,505	18	6,072	13,697
Ratio Analysis														
BVPS (PKR)	220.1	94.5	120.5	150.4	29.4	74.0	307.1	120.7	258.9	151.4	232.5	28.9	172.5	
ADR	32.8%	33.8%	44.2%	36.5%	37.4%	57.9%	38.0%	49.6%	31.0%	37.6%	27.8%	30.2%	24.8%	37.0%
IDR	92.8%	126.7%	71.6%	78.3%	73.2%	56.5%	82.7%	79.7%	89.1%	78.9%	107.0%	74.0%	206.9%	93.6%
NIMs	4.4%	3.5%	4.6%	5.4%	3.1%	5.8%	4.5%	5.7%	5.8%	8.5%	3.5%	9.3%	3.4%	5.2%
Cost to Income	49.0%	42.6%	62.0%	55.1%	66.2%	59.5%	56.0%	43.4%	42.2%	26.0%	38.1%	27.2%	30.0%	45.9%
Effective Tax Rate	52.4%	61.6%	55.8%	50.5%	56.2%	53.8%	54.3%	53.7%	53.0%	54.8%	53.8%	49.7%	57.0%	54.4%

Source (s): Company Financials, AHL Research, *profit attributes to equity shareholders of the bank

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HOLD	Upside* of subject security(ies) is between 0% and +15% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than 0% from last closing of market price(s)

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- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks: The following risks may potentially impact our valuations of subject security (ies);

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- Exchange Rate (Currency) Risk

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