

Analyst Briefing Takeaways

REP-300

- AKBL held its analyst briefing session today, during which the management offered valuable insights into the company's strategy going forward.
- To recall, AKBL reported annual earnings of PKR 22.8bn (EPS: PKR 15.7) in CY25, reflecting a 8.1% YoY increase. Alongside the results, the bank announced final dividend of PKR 5/share effectively resuming quarterly dividend payments in CY25.
- Total assets reached PKR 2.9trn (+16% YoY), primarily funded by deposits of PKR 1.6trn, while interest earning assets stood at PKR 2.6trn (~90% of balance sheet), growing 19% YoY.
- Total deposits grew by 20% YoY, with a major contribution for Current Accounts, increasing by 29% YoY to PKR 502bn. This took CA ratio from 28% to 31% in CY25, a key driver of profitability. Management indicated deposit growth momentum similar to CY25 is expected in 2026, with primary focus on current (zero-cost) deposits, while selectively growing term deposits if spreads remain attractive.
- Advances declined 16% YoY due to maturity of short-term facilities, but on a comparable basis grew ~18–20% YoY. Growth in lending segments includes ~50% increase in SME & agriculture, and 44% growth in consumer lending, while core exposure remains in corporate and commercial segments.
- NPL ratio improved to 5.3% in CY25 (vs 6.5% in CY24), while coverage ratio increased to 117% (vs 108%), reflecting improved asset quality.
- Investments increased 34% YoY, which were largely composed of government securities, contributing to a ~3x increase in revaluation surplus. The management commented that a 100bps movement in interest rate is estimated to impact MTM gains by ~PKR 3.5bn. The bank's investment book composition includes ~92% floating-rate PIBs and 8% fixed rate PIBs, yielding ~12% and a weighted average maturity (WAM) of ~2.5 years.
- The management also commented that it plans to gradually reduce OMO based borrowings on the back of growth in deposits.
- Net interest income surged 38% YoY, driven by strong growth in low-cost current deposits and investment portfolio performance, while non-funded income increased 15% YoY, supported by 10% growth in fee income, higher capital gains on government securities, dividends, and FX income.
- Operating expenses rose 39% YoY, driven by branch expansion (97 new branches in 2 years) and investments in HR, IT, digitization, and marketing. This brought cost-to-income ratio at 48% (59% in 4Q) remaining well below the industry average.
- Profit before tax increased to PKR 53bn (+20% YoY), ranking 5th in the industry by growth rate, while profit after tax grew only 8% YoY due to windfall tax impact, which otherwise remains in line with PBT growth after adjusting for windfall tax.
- 122 branches converted to Islamic in CY25, bringing fully Islamic network to ~50%, with Islamic windows across entire network. The management targets potential full conversion to Islamic banking over next ~2–2.5 years, subject to availability of Islamic assets and market dynamics.
- In terms of capital adequacy, the bank posted a CAR ratio of 21.59% in CY25, well over the minimum regulatory requirement.
- Management highlighted that its capital adequacy measures indicate that it is well positioned to continue its dividend payout strategy in CY26, while remaining contingent on future profitability and macroeconomic uncertainty.

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