

# KSE-100 Banking sector's profitability

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## Banks stay in focus with high payouts

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**FinanceAsia**

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 **INTERNATIONAL  
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# Pakistan Banking Sector

## CY24: Banks stay in focus with high payouts

In the outgoing year (CY24), the SBP implemented aggressive monetary easing, slashing interest rates by 900bps from 22% to 13% by Dec'24. At the same time, an increase in the corporate tax rate from 39% to 44% imposed additional constraints, limiting overall profitability growth of the sector. Despite these challenges, the sector exhibited resilience, posting a 5.7% YoY earnings growth, with many banks achieving record-high profits.

Among the top-performing banks in terms of profitability, UBL (+36% YoY), MEBL (+20% YoY), and FABL (+18% YoY) recorded the highest earnings growth in CY24.

### Income surge boosting banking profits

- The banking sector's **Net Interest Income (NII)** surged by 8.9% YoY in CY24, fueled by higher asset yields as elevated interest rates in 1HCY24 bolstered returns. Additionally, the lagged repricing of assets against funding costs played a crucial role, allowing banks to capitalize on favorable spreads despite shifting monetary conditions in the latter half.
- Non-Funded Income (NFI)** demonstrated remarkable growth, surging 53% YoY, bolstered by multiple income streams:
  - Fee & Commission Income** soared by an unprecedented 22% YoY, driven by a significant uptick in trade-related services, digital banking transactions, and overall higher volumes.
  - Capital gains** surged 22% YoY, driven by realized gains on government securities as shifting policy rate expectations allowed banks to capitalize on their accumulated unrealized gains amid interest rate cuts.

Exhibit: Banking Sector Profitability

PKR (mn)	CY24	CY23	YoY	4QCY24	4QCY23	YoY	3QCY23	QoQ
HBL	58,458	57,676	1%	14,413	14,847	-3%	16,636	-13%
MCB	63,225	65,105	-3%	10,516	16,871	-38%	19,635	-46%
UBL	75,156	55,145	36%	26,043	13,464	93%	14,737	77%
NBP	25,985	53,102	-51%	22,438	13,773	63%	12,294	83%
ABL	44,389	41,301	7%	7,896	12,270	-36%	11,395	-31%
BAFL	39,853	36,511	9%	4,638	9,050	-49%	8,848	-48%
BAHL	41,917	35,931	17%	7,602	6,338	20%	11,379	-33%
MEBL	102,689	85,431	20%	24,405	27,116	-10%	25,828	-6%
HMB	24,943	24,557	2%	6,347	5,688	12%	7,452	-15%
AKBL	21,133	21,489	-2%	7,047	6,914	2%	5,737	23%
SCBPL	46,067	42,622	8%	13,987	11,174	25%	12,663	10%
FABL	23,892	20,246	18%	3,545	7,938	-55%	4,649	-24%
BOP	13,088	11,081	18%	5,329	5,273	1%	2,468	116%
BIPL	11,834	10,610	12%	1,626	2,161	-25%	3,354	-52%
Total	592,628	560,806	6%	155,834	152,875	2%	157,076	-1%

Source (s): Company Financials, AHL Research

# Pakistan Banking Sector

## CY24: Banks stay in focus with high payouts

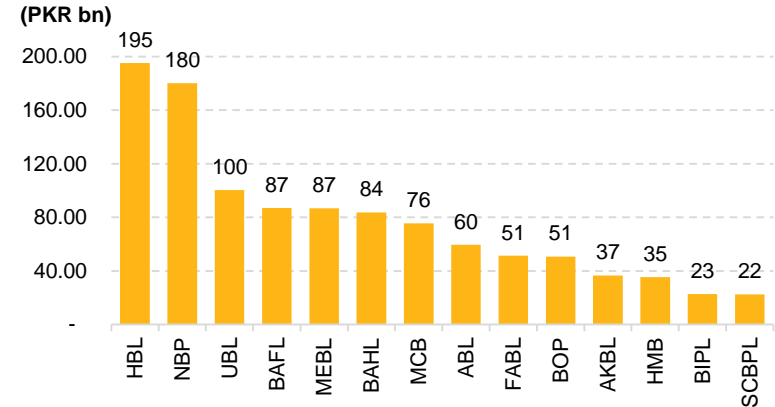
### Lower provisioning bolster bottom-line

- **Provisioning expenses** declined by 7.4% on a YoY basis, primarily due to the overall recovery in economic conditions contributed to provisioning reversals for certain banks, particularly those that had previously set aside conservative provisions against potential credit impairments.
- However, **operating expenses (OPEX)** remained elevated, reflecting the broader inflationary environment and higher technology-related investments. OPEX increased 29% YoY.
- Despite these cost pressures, the sector's **cost-to-income ratio (CIR)** increased to 45.6% in CY24, compared to 41.0% in CY23, largely due to heightened inflationary pressures.

### Hefty payouts and capital strength intact

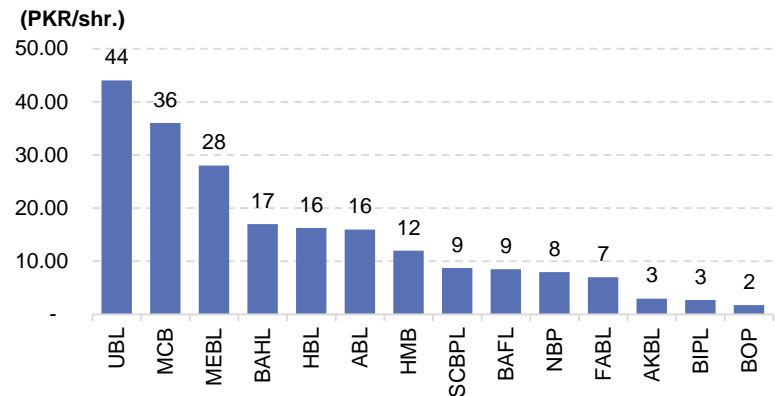
- The banking sector sustained its hefty dividend payouts, with KSE-100 banks distributing a total of PKR 308.6bn in CY24, marking a robust 34% YoY increase. This surge in payouts was underpinned by record-high profitability.
- The banking sector's dividend payout accounted for 46% of the total KSE-100 payout in CY24 (amounting to PKR 668bn), marking the highest contribution by any sector in the index.
- The record-breaking profitability of banks in CY24 led to strengthening of their capital adequacy ratios. By the end of Dec'24, the average total CAR for KSE100 banks stood at 18.9%\*, reflecting improved capital buffers amid robust earnings growth.

### Exhibit: Banks wise operating expenses



Source (s): Company financials, AHL Research

### Exhibit: Bank wise DPS



Source (s): Company financials, AHL Research

\* This excludes CAR ratios for MCB, HMB and BIPL as their full-year financials are yet to be published.

# Pakistan Banking Sector

## CY24: AHL's banking universe highlights



**MEBL**

CY24 earnings clocked in at PKR 103.2bn (EPS: PKR 57.28) up by 20% YoY. The jump in overall earnings was mainly on the back of growth in total income.

**MEBL has recorded the highest PAT in the banking sector in CY24, amounting to PKR 103.2bn.**



**UBL**

CY24 earnings recorded at PKR 75.2bn (EPS: PKR 61.4), up 36% YoY, driven primarily by strong NFI. The surge was led by an 85x YoY increase in securities sale gains to PKR 45.5bn.

**UBL posted the highest dividend/share in the industry amounting PKR 44/share.**

**HBL**

**HBL**

HBL's CY24 earnings arrived at PKR 58.5bn (EPS: PKR 39.9), up by 1% YoY. The jump was mainly on the back of growth in NFI, which surged by 68% YoY.

**HBL maintains the highest deposit base in the banking sector amounting to PKR 4.3trn.**



**MCB**

MCB's earnings clocked-in at PKR 63.2bn, 3% lower on YoY basis in CY24 amid subdued NII and higher OPEX. Along with the result, MCB announced a final cash dividend of PKR 9.0/share (CY24: PKR 36.0/share).

**MCB declared its highest-ever dividend in CY24, amounting to PKR 36/ share**

# Pakistan Banking Sector

## CY24: AHL's banking universe highlights



BAFL announced earnings for CY24 at PKR 39.9bn (EPS: PKR 25.3), depicting a decline of 9%. This decline in earnings was mainly on the back of subdued NII and higher OPEX.

**BAFL introduced interim dividends during the outgoing year, marking a shift in its payout strategy.**



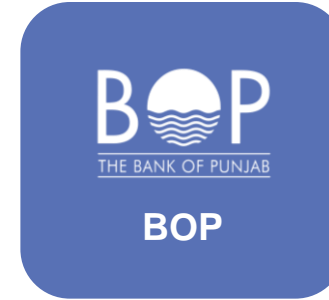
FABL's CY24 earnings stood at PKR 23.9bn (EPS: PKR 15.7), up by 18% YoY. This was on the back of 13% YoY growth in Net return and 50% YoY growth in Non-funded income.

**The bank posted its highest-ever profitability in CY24.**



CY24 earnings recorded at PKR 21.1bn (EPS: PKR 14.6), down by 2% YoY. The decline in overall earnings was mainly on the back of growth in higher taxation and elevated OPEX.

**Key beneficiary of removal of MDR on savings deposits from FI, PSE, and public limited companies.**



BOP's CY24 earnings clocked-in at PKR 13.1bn (EPS: PKR 4.0) up by 18% YoY. The jump in overall earnings was mainly on the back of growth in total income. Along with the result, BOP announced a final dividend of PKR 1.8/share in CY24.

**Highest ever profitability and payout in CY24.**



NBP's CY24 earnings were recorded at PKR 26.0bn (EPS: PKR 12.2), down 51% YoY, primarily due to the PKR 49bn pension liability settlement recorded during the year. However, NBP resumed dividend payouts after a gap of seven years (last paid in CY16).

**NBP resumes payout with highest ever dividend payout of PKR 8/share**

# Pakistan Banking Sector

## Banking sector at a glance

**Exhibit:** Pakistan Banking Sector (KSE100) CY24 Result Summary | Consolidated

	ABL	AKBL	BAFL	BAHL	BIPL	BOP	FABL	HBL	HMB	MCB	MEBL	NBP	SCBPL	UBL
<b>Income Statement (PKR mn)</b>														
Mark-up/interest earned	376,907	401,258	507,120	478,117	112,801	343,865	225,156	813,192	241,204	413,551	494,310	1,089,891	159,133	1,084,641
Mark-up/interest expensed	261,543	337,603	380,338	321,647	66,414	299,605	144,597	567,570	168,758	245,604	207,267	918,452	65,620	911,094
Net markup-up/interest income	115,364	63,655	126,782	156,470	46,387	44,260	80,559	245,622	72,446	167,947	287,043	171,439	93,513	173,548
Total non-mark-up/interest income	30,335	16,023	45,775	28,868	4,591	26,814	19,622	96,512	21,431	41,240	31,848	70,323	24,659	83,695
- Fees, comm. & Brokerage	16,178	7,553	17,960	21,944	2,312	11,464	12,818	49,523	10,841	24,785	25,838	29,171	6,992	21,535
- Dividend Income	3,018	830	1,328	364	67	355	376	3,082	775	2,930	627	5,989	100	1,742
- FX Income	6,690	4,073	9,545	3,911	1,339	859	5,340	7,897	7,094	9,614	829	5,913	9,920	12,560
- Gain/(loss) on sale of securities	3,444	2,875	14,021	142	701	11,780	1,042	10,463	2,481	3,467	3,512	28,195	4,600	45,487
- Other Income	1,005	692	2,921	2,507	171	2,355	47	25,548	239	446	1,043	1,055	3,047	2,370
Total income	145,699	79,678	172,557	185,338	50,977	71,074	100,182	342,134	93,876	209,188	318,891	241,762	118,172	257,242
Total provisions	(2,710)	(1,799)	271	14,891	2,734	(4,073)	(2,463)	26,604	4,343	4,878	9,222	4,503	(4,908)	12,775
Operating Expense	59,521	36,613	87,039	83,667	22,714	50,710	51,341	195,196	35,429	75,573	86,847	180,139	22,460	100,325
Profit before tax	89,714	44,864	85,247	86,780	25,530	24,437	51,751	120,334	54,104	131,177	226,279	57,120	100,620	145,037
Total taxation	45,325	23,613	45,385	44,863	13,696	11,157	27,860	62,530	28,339	67,711	122,560	30,617	54,553	70,198
Profit after tax*	44,389	21,133	39,853	41,917	11,834	13,088	23,892	58,458	24,943	63,225	102,689	25,985	46,067	75,156
EPS (PKR)	38.77	14.58	25.27	37.71	10.67	4.00	15.74	39.85	23.80	53.35	57.28	12.21	11.90	61.39
DPS (PKR)	16.00	3.00	8.50	17.00	2.75	1.80	7.00	16.25	12.00	36.00	28.00	8.00	8.75	44.00
<b>Balance Sheet (PKR bn)</b>														
Net Advances	1,052	696	1,109	910	296	779	634	2,435	502	1,166	1,515	1,405	172	1,443
Deposits	2,018	1,363	2,136	2,278	559	1,710	1,044	4,370	925	2,131	2,585	3,865	836	2,640
Investments	1,133	1,509	1,996	1,926	345	1,320	678	2,528	807	1,307	1,879	4,615	654	5,890
Borrowings	462	869	1,142	667	88	409	280	827	350	320	722	1,938	18	4,855
<b>Ratio Analysis</b>														
BVPS (PKR)	208.1	84.5	115.0	139.6	43.8	28.4	72.4	280.1	115.4	242.0	141.3	218.1	30.4	262.1
ADR	52.1%	51.0%	51.9%	40.0%	52.9%	45.6%	60.7%	55.7%	54.3%	54.7%	58.6%	36.3%	20.5%	54.7%
IDR	56.1%	110.8%	93.4%	84.6%	61.7%	77.2%	65.0%	57.8%	87.3%	61.3%	72.7%	119.4%	78.3%	223.1%
NIMs	5.3%	3.1%	4.1%	5.9%	7.7%	2.2%	6.5%	5.1%	5.4%	7.1%	9.5%	2.8%	10.6%	2.7%
Cost to Income	40.9%	46.0%	50.4%	45.1%	44.6%	71.3%	51.2%	57.1%	37.7%	36.1%	27.2%	74.5%	19.0%	39.0%
Effective Tax Rate	50.5%	52.6%	53.2%	51.7%	53.6%	45.7%	53.8%	52.0%	52.4%	51.6%	54.2%	53.6%	54.2%	48.4%

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

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

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- Interest Rate Risk
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