

Commercial Banks

CY25: Banking Sector Earnings to increase by 35%y/y

- For the 4QCY25, we expect sector earnings (IGI coverage banking universe) to increase by +33%y/y to PKR 118.1bn compared to PKR 114.2bn recorded in the same period last year. In CY25, the sector earnings are estimated to clock in at PKR 366.0bn, up by +35%y/y, compared to PKR 272.0bn recorded in CY24.
- We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 11.9/14.8/12.3/4.2/3.4/7.0/6.1/10.5 during 4QCY25 and DPS of PKR 5.0/8.0/9.0/2.5/1.5/4.0/4.5/25.0.
- Due to the significant reduction in policy rate from the peak of 22% to 10.5% by the State Bank of Pakistan in response to the sustained decline in inflation, the NIMs of the banking sector will remain under pressure however banks' focus on boosting low cost deposits will support profitability going forward.

Banking Sector: Earnings to post a growth of +35%y/y in CY25 while +33%y/y in 4QCY25

For the 4QCY25, we expect sector earnings (IGI coverage banking universe) to increase by +33%y/y to PKR 118.1bn compared to PKR 114.2bn recorded in the same period last year. In CY25, the sector earnings are estimated to clock in at PKR 366.0bn, up by +35%y/y, compared to PKR 272.0bn recorded in CY24. On full year basis, NBP is expected to post highest growth in earnings of over +3.0x followed by UBL with a growth of +68%. Due to the significant reduction in policy rate from the peak of 22% to 10.5% by the State Bank of Pakistan in response to the sustained decline in inflation, the NIMs of the banking sector will remain under pressure however banks' focus on boosting low cost deposits will support profitability going forward.

We expect HBL/UBL/MCB/BAFL/FABL/ABL/BAHL/NBP to post EPS of PKR 11.9/14.8/12.3/4.2/3.4/7.0/6.1/10.5 during 4QCY25 and DPS of PKR 5.0/8.0/9.0/2.5/1.5/4.0/4.5/25.0. The following factors to affect sector earnings in upcoming quarterly results:

- **Deposits/Advances:** As per the data published by SBP for Dec-25, total sector deposits stand at PKR 37.4trn up by +6%q/q/+24%y/y whereas total advances and investments were recorded at PKR 14.9tn (+11%q/q/-7%y/y) and PKR 37.9tn (+6%q/q/+30y/y). Sector ADR has declined to 40% compared to 53% as at Dec-24 whereas IDR has increased to 101% against 96% in Dec-25.

Analyst

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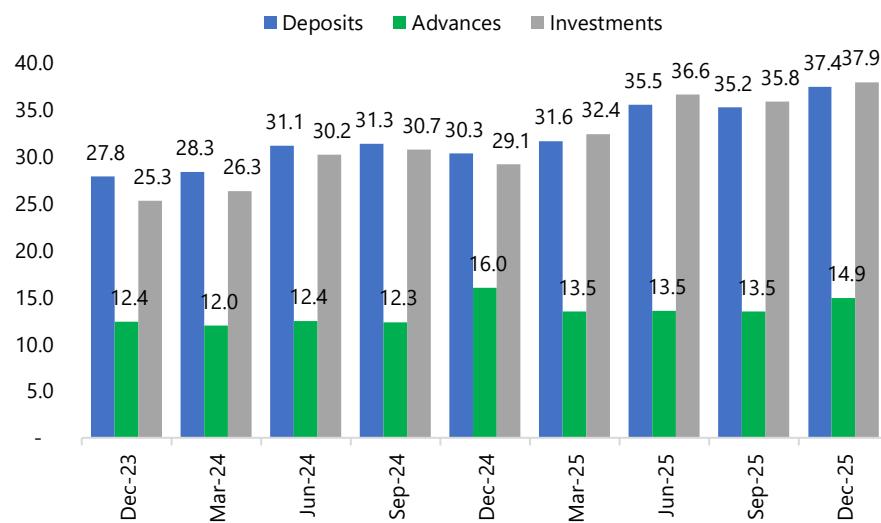
- **NII is likely to increase q/q:** IGI's banking universe net interest income is anticipated to inline by ~+2.8%q/q driven by banks' continued focus on expanding low-cost deposits.
- **Non-markup Income:** Non-markup income is projected to rise, primarily on the back of stronger fee and commission income amid higher transaction volumes.

Exhibit: IGI Banking Sector Earnings Preview 4QCY25								
	PKR/share							
EPS	Dec-25	Sep-25	q/q	Dec-24	y/y	CY25	CY24	y/y
HBL	11.9	11.5	4%	9.8	22%	47.0	39.9	18%
UBL	14.8	13.9	7%	10.2	45%	54.1	32.2	68%
MCB	12.3	11.6	5%	7.7	59%	47.0	48.6	-3%
BAFL	4.2	3.9	8%	3.0	39%	17.8	24.4	-27%
FABL	3.4	3.3	2%	2.2	56%	13.2	15.2	-13%
ABL	7.0	7.4	-5%	6.6	7%	29.6	37.7	-22%
BAHL	6.1	5.5	11%	6.0	1%	28.9	35.9	-19%
NBP	10.5	10.9	-3%	8.3	27%	41.9	12.6	232%
Banking Sector (PKRbn)	118.1	114.2	3%	89.1	33%	365.9	272.0	35%
DPS								
HBL	5.0	5.0		4.3		19.0	16.3	
UBL	8.0	8.0		11.0		35.0	44.0	
MCB	9.0	9.0		9.0		36.0	36.0	
BAFL	2.5	2.5		2.5		10.0	8.5	
FABL	1.5	1.5		2.5		6.0	7.0	
ABL	4.0	4.0		4.0		16.0	16.0	
BAHL	4.5	3.5		6.5		15.0	17.0	
NBP	25.0	-		8.0		25.0	8.0	

Source: IGI Research

Exhibit: Sector Deposits, Advances, and Investments

ADR has increased to 40% from 38% and IDR declined to 101% from 102% since Sep-25.



Source: SBP, IGI Research

Exhibit: Quarterly EPS Trend Since Dec-2023

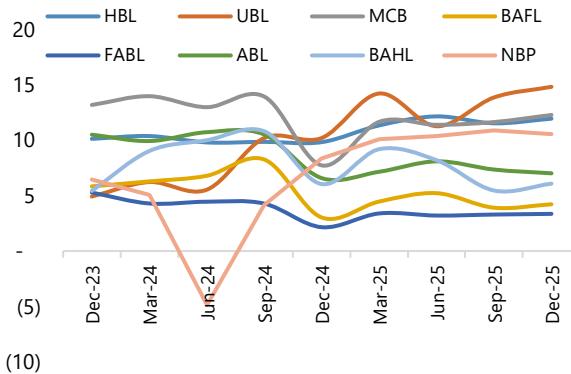
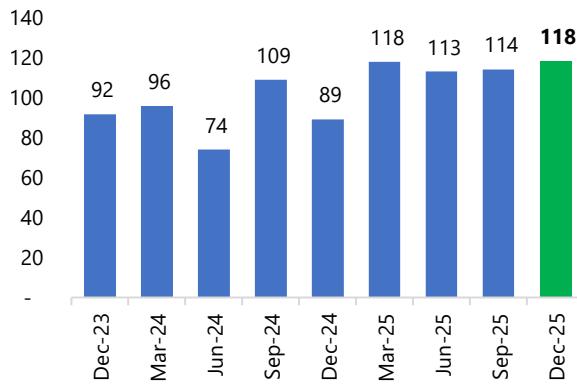


Exhibit: IGI Banking Universe Profit After Tax (PAT)



Source: Company Financial Report, IGI Research

Exhibit: Quarterly DPS Trend Since Dec-2023

Payouts to remain stable amid excess liquidity with banks

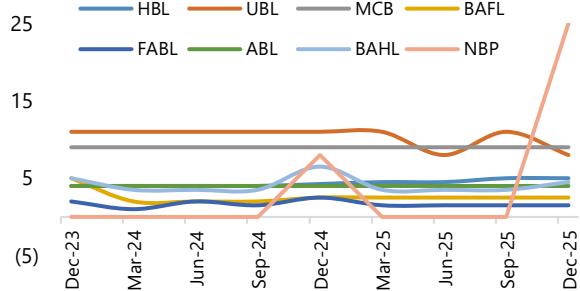
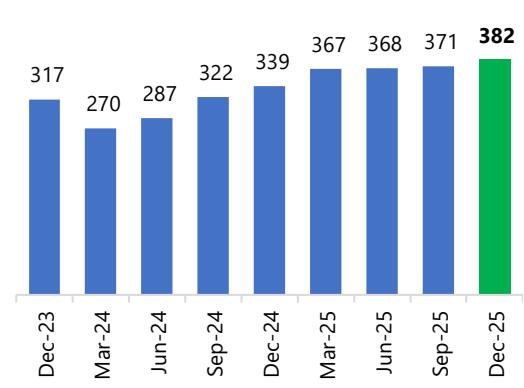


Exhibit: IGI Banking Universe Net Interest Income (NII)



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