AKBL Askari Bank Ltd.

PSX · BANK

Is AKBL's shift towards Islamic banking, backed by its main shareholder FFC, building a deposit mix and margin profile similar to the MEBL growth story?

THE STORY

As you know, FFC is the main shareholder in Askari Bank Ltd. (AKBL) with **~64%** stakes, and AKBL has continued to gain traction in Islamic banking, which was also the desire of the main shareholder.

On deposits, we see Islamic deposits now accounting for **22%** of total deposits in 3QCY26. We read that as a 'positive' indicator in line with the MEBL-like growth story. The quantum of Islamic deposits has nearly doubled YoY to **PKR 400bn**, which in our view spells a growth momentum in AKBL.

The reported deposit growth has largely been driven by non-remunerative deposits, which is positive for AKBL NIMs. Those NIMs could be in-line with MEBL annual NIMs of **8% or more**. The non-remunerative deposits increased by **45% YoY** and **3% QoQ** to **PKR 711bn**.

On branches, and in line with FFC thinking, the Islamic branches have increased to **~425** in 3QCY26, up from **~200** branches in 1QCY25. This entails that branch conversion has now reached **52%** in 3QCY26.

The branch conversion at **52%** is running well ahead of deposit conversion at **22%**. We read this as pointing to further room for the deposit mix to shift towards Islamic.

On valuation, AKBL spells PBV of **1.2x** and PE of **5.8x - 6.0x**. We offer this as context for the story above, and the decision on any holding remains yours.

THE NUMBERS

Islamic deposits, YoY
nearly doubled to PKR 400bn
growth momentum in AKBL

Islamic share of total deposits, 3QCY26
22%

Non-remunerative deposits
PKR 711bn
up 45% YoY and 3% QoQ

Non-remunerative deposit growth
45% YoY and 3% QoQ

MEBL annual NIMs, the comparison for AKBL NIMs
8% or more
AKBL NIMs could be in-line

Islamic branches, 3QCY26
~425
up from ~200 branches in 1QCY25

Branch conversion, 3QCY26
52%
running well ahead of deposit conversion at 22%

Valuation
PBV 1.2x, PE 5.8x - 6.0x

FFC stake in AKBL
~64%
main shareholder

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WHAT WE ARE WATCHING

- Whether the deposit mix continues to shift towards Islamic, given branch conversion is running well ahead of deposit conversion.
- Whether non-remunerative deposits keep driving deposit growth, and whether AKBL NIMs move in-line with MEBL annual NIMs.
- Whether the growth in Islamic deposits keeps its momentum after the near doubling YoY.
- FFC's continued thinking on Islamic conversion, as the main shareholder's desire has shaped the branch network.

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

Non-remunerative deposits and net interest margin

Non-remunerative deposits are balances, such as current accounts, on which a bank pays little or no return to the depositor. Because they are a cheap source of funds, a larger share of them lowers the bank's overall cost of funding. Net interest margin (NIM) measures the gap between what a bank earns on its assets and what it pays for its funds, relative to its earning assets. A funding mix tilted towards non-remunerative deposits therefore tends to support a wider margin.

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

Branch conversion versus deposit conversion

When a conventional bank moves towards Islamic banking, it converts branches to Islamic mode and also has to attract and shift customer deposits into Islamic products. Branch conversion is usually the faster, more controllable step, while deposit conversion follows as customers adopt the new offering. A gap where branches have converted further than deposits can indicate room for the deposit mix to shift over time, though the pace depends on customer behaviour.

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