

Meezan Bank Limited Corporate Briefing Takeaways

- MEBL senior management held an analyst briefing today to discuss financial performance of CY25 and the future outlook. **REP-300**
- The bank's reported a decent balance sheet growth, as deposits grew at 28% YoY and were recorded at PKR 3.3trn in CY25 vs PKR 2.6trn in CY24. The deposit growth is driven by a 29% rise in current accounts, 21% growth in savings accounts and 60% growth in Term Deposits. For CY26 the bank is targeting a to continue this trend, with an expected growth between 20% to 25%, while aiming to maintain the CA and CASA ratios at current levels of 48% and 91% respectively.
- ADR was recorded at 51% in CY25 from 60% in CY24 following the removal of ADR taxation. Financing mix comprised of 74% Corporate Loans, 18% SMEs, and 7% Consumer Loans.
- The NPL ratio rose slightly to 1.84% for the year, due to customer specific textile sector accounts. However, the ratio remains at an industry-low level. The NPL coverage ratio stood at 146%, one of the highest in the industry.
- In terms investment portfolio, investments grew by 39% or roughly PKR 726bn during the year. For fixed rate sukuks, average yield stands at 11.6%, with a weighted average maturity of 1.6 years. With respect to investments mix, out of total PKR 2.6trn investments, PKR 2.17trn is invested in GoP Ijarah Sukuks. Out of the Ijarah Sukuks, 73% comprise of variable rate Sukuk, whereas 27% is in fixed rate instruments.
- In terms of profitability, the bank highlighted that lower profitability was reported for CY25 due to decline in average policy rate from 19.67% in CY24 to 11.39% in CY25. This caused net spread compression, resulting in lower profitability, However, the management also expects that interest rates have now bottomed out, and expects higher profitability and ROE driven by potential rate hikes.
- In terms of Non-Funded Income, fee, commission & other income increased 6% YoY on the back of improved trade volumes, which increased from PKR 2.7trn to PKR 2.9trn (+10% YoY), along with a trade mix of 62% imports and 38% exports. Other meaningful contributors were, cash management fees (+30% YoY), and investment banking fees (+91% YoY). Meanwhile, FX income increased significantly from PKR 0.8bn to PKR 5.5bn (+560% YoY)
- OPEX grew by 10%, which brought Cost-to-Income to 30.4%. The bank targets to maintain this ratio at 30% to 35%.
- Capital Adequacy Ratio (CAR) was reported at 19.2% well over the minimum requirement of 11.5%, and the bank expects to maintain its current quarterly dividend payout going forward.
- The bank added 54 new branches, bringing the total to 1,105, and aims to open a further 100 to 150 new branches in CY26.
- We maintain a BUY call on the stock, with a P/E multiple of 9.0x and a of P/B multiple of 2.6x for CY26e.

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