Company Report

Monday, May 25, 2026

COMPANY REPORT

Meezan Bank Limited (MEBL)				
Commercial Banks				
Recommendation				**BUY**
Target Price: Dec-26				616.0
Last Closing: 22-May-26				479.56
Upside (%):				28%
Valuation Methodology:				Justified P/B
Market Data				
Bloomberg Tkr.				MEBL PA
Shares (mn)				1,801
Free Float Shares (mn)				450
Free Float Shares (%)				25%
Market Cap (PKRbn)				863.47
Market Cap (USDbn)				3.08
Exchange				KSE-100
Price info.	**01M**	**03M**	**09M**	**12M**
Abs. Return	-2%	3%	17%	68%
Low	492	477	417	288
High	500	492	422	292
Key Company Financials				
Period End: Dec				
PKRbn	**CY24A**	**CY25A**	**CY26E**	**CY27F**
Total Revenue	319	291	321	345
Net Income	287	252	284	306
EPS (PKR)	57.6	51.2	54.7	57.8
DPS (PKR)	28.0	28.0	30.0	32.0
Total Assets	3,912	4,820	5,822	6,701
Total Equity	254	288	331	376
Key Financial Ratios				
ROE (%)	46%	33%	31%	29%
P/E (x)	8.3	9.4	8.8	8.3
P/B (x)	3.4	3.0	2.6	2.3
DY (%)	5.8%	5.8%	6.3%	6.7%

Source: Bloomberg, CapitalStake, PSX, Company Financials, IGI Research

Commercial Banks

MEBL: Strong Fundamentals Supporting Sustainable Growth

- We initiate coverage on MEBL with a ‘BUY’ rating and target price of PKR 616.0/share offering 28% upside from last close. Meezan Bank Limited is the pioneer of Islamic banking in Pakistan operating with a fully Shariah-compliant business model. Over the years, the Bank has established a strong nationwide presence, currently operting a network of 1,105 branches.
- We base our investment thesis on a) Robust Deposit-Led Growth with Steady CA Mobilization b) Asset Quality Risks remain well-managed, c) Strong Capital Position, d) Industry leading ROE and e) MDR impact to be minimum on earnings.
- Using Justified P/B approach, we have a ‘BUY’ rating on MEBL with a Dec-26 target price of PKR 616.0/share offering a ~28% upside from the last closing price of PKR 479.56/share (22-May-26). The Bank is currently trading at CY26/27 P/B of 2.6/2.3 with an expected CY26F dividend yield of 6.7%.

Initiating Coverage on Meezan Bank Limited (MEBL) with “BUY” rating

We initiate coverage on MEBL with a ‘BUY’ rating and target price of PKR 616.0/share offering 28% upside from last close (22-May-2026) of PKR 479.56/share. Meezan Bank Limited is the pioneer of Islamic banking in Pakistan operating with a fully Shariah-compliant business model. Over the years, the Bank has established a strong nationwide presence, currently operting a network of 1,105 branches. The Bank is widely preferred by businesses/traders/Individuals that prioritize Shariah-compliant banking and financing solutions.

We base our investment thesis on a) Robust Deposit-Led Growth with Steady CA Mobilization b) Asset Quality Risks remain well-managed, c) Strong Capital Position, d) Industry leading ROE and e) MDR impact to be minimum on earnings.

Recommendation: Using Justified P/B approach, we have a ‘BUY’ rating on MEBL with a Dec-26 target price of PKR 616.0/share offering a ~28% upside from the last closing price of PKR 479.56/share (22-May-26). The Bank is currently trading at CY26/27 P/B of 2.6/2.3 with an expected CY26F dividend yield of 6.7%.

Key Catalyst: Key catalysts include a) Increase in Non-Interest Income, b) branch expansion and c) Growth in private sector borrowings.

Key Risk: Key risks include, a) Asset Quality Risks such as increase in Non-performing loans, and b) Competition in the Islamic Banking Space.

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Investment Thesis

1. Robust Deposit-Led Growth with Steady CA Mobilization

MEBL has delivered strong growth in its deposit base, driven by a strategic focus on increasing the share of current accounts. Over the past five years, the Bank has achieved a solid average annual deposit growth rate of ~22%. In CY25 alone, the Bank recorded a 28% growth in deposits, surpassing the PKR 3tn milestone, with total deposits reaching PKR 3.3tn. Building on this momentum, the management is targeting deposit growth of 20%–25% in CY26f.

Beyond deposit growth, the Bank has also maintained a strong focus on the quality of its deposit profile, as reflected in the composition of its deposits. In CY25, approximately 72% of deposits were sourced from retail customers, while 27% originated from the private sector, highlighting the Bank's stable and sustainable funding base. Furthermore, the proportion of current accounts has averaged 47% of total deposits over the past five years, underscoring the Bank's continued focus on optimizing its funding mix and reducing the overall cost of funds. This is further reflected in the Bank's strong CASA ratio, which stood at 91% in CY25 and averaged 88% over the past five years. For CY26, management is targeting a current account ratio of 48% and CASA ratio of 91%.

The benefits of maintaining a low-cost deposit profile are evident in the Bank's cost of deposits, which averaged approximately 4.3% over the past five years and declined further to 3.7% in CY25. We expect the cost of deposits to continue trending downward in the coming years, supported by the Bank's ongoing focus on current account mobilization and its high-quality deposit mix. This should enhance the Bank's funding efficiency and provide greater support to profitability going forward.

Exhibit: Composition of Deposits

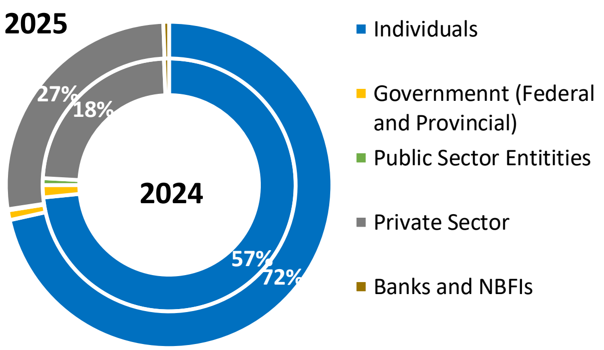
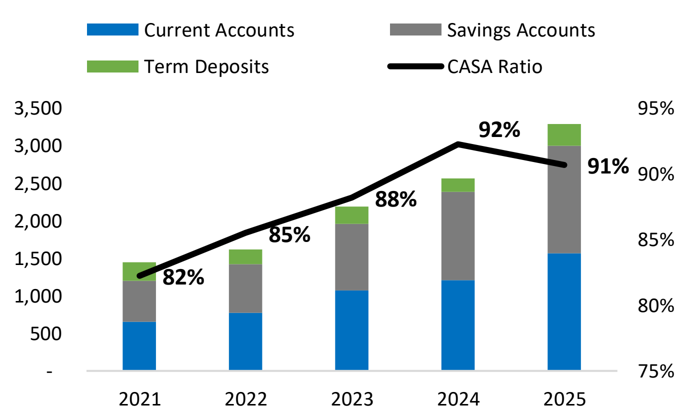


Exhibit: Deposit Mix



Source: Company Accounts, IGI Research

2. Asset Quality Risks Remain Well Managed through Strong Provisioning and Coverage

The Bank has historically maintained a very low infection ratio of approximately 1.7%, which remains significantly below the industry average of 5%–10%. The consistently low level of non-performing loans reflects the Bank's cautious approach towards lending. In CY25, the textile sector represented the largest portion of the Bank's non-performing loans, contributing around 34% to total NPLs, followed by the construction sector, which accounted for approximately 23%. However, on an average basis over the past five years, the oil and gas sector has remained the largest contributor to non-performing loans at 23%, while the textile sector accounted for an average share of 21%.

In addition to maintaining a low infection ratio, the Bank has also implemented rigorous risk controls, as reflected in its strong coverage ratio, which stood at 146% in CY25 and averaged approximately 158% over the past five years. This indicates that the Bank maintains more than adequate provisioning against potential credit losses and reflects the well-secured nature of its financing portfolio.

Exhibit: MEBL's NPLs and Coverage Ratio

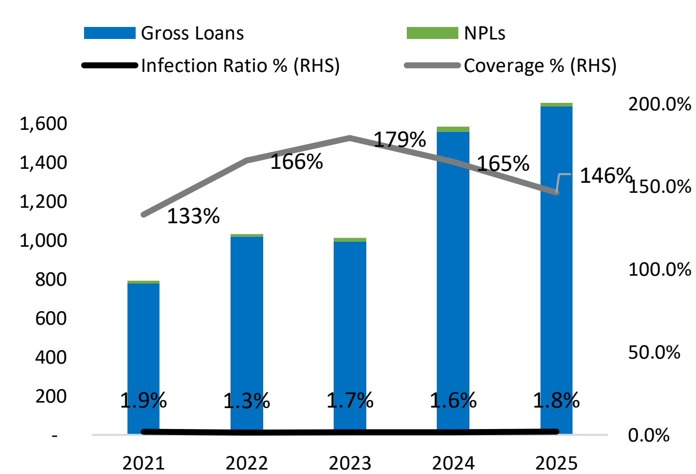
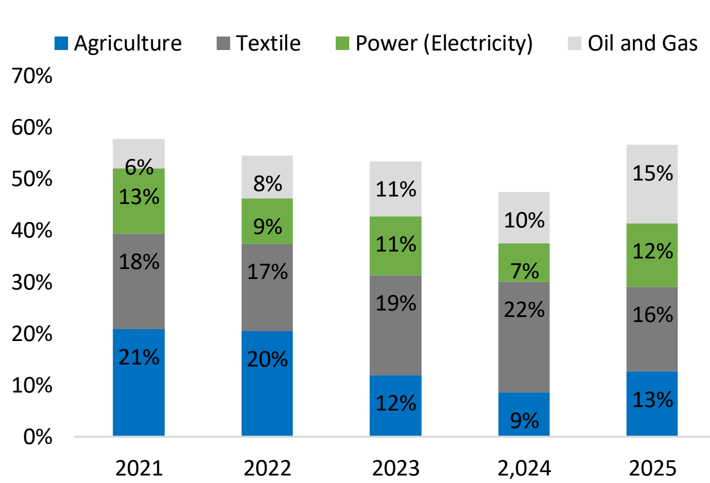


Exhibit: MEBL's Advances by Industry Sector



Source: Company Accounts, IGI Research

3. Strong Capital Position

MEBL has also maintained a strong capital position, with its Common Equity Tier-1 (CET-1) ratio standing at 17.1% while total Capital Adequacy Ratio (CAR) at 19.4%, comfortably above the regulatory requirement of 11.5%. The healthy capital buffer has primarily been supported by the Bank's strong profitability and consistent earnings generation, positioning it well to support future balance sheet growth and absorb potential economic and credit shocks.

Supported by its robust capital base and high-quality earnings profile, the Bank remains well placed to sustain its payout ratio of 55% recorded in CY25 going forward. For CY26, we expect the Bank to announce a dividend of PKR 30/share, implying a dividend yield of approximately 6.6% based on the last closing price.

Exhibit: MEBL's Last 5 Years Payout History

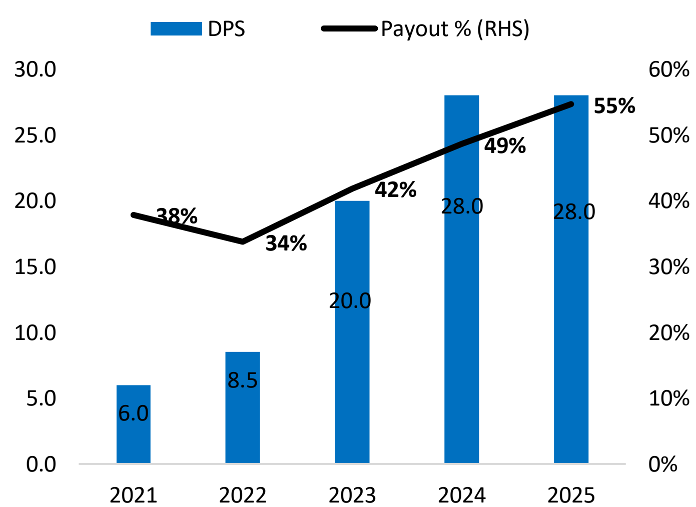
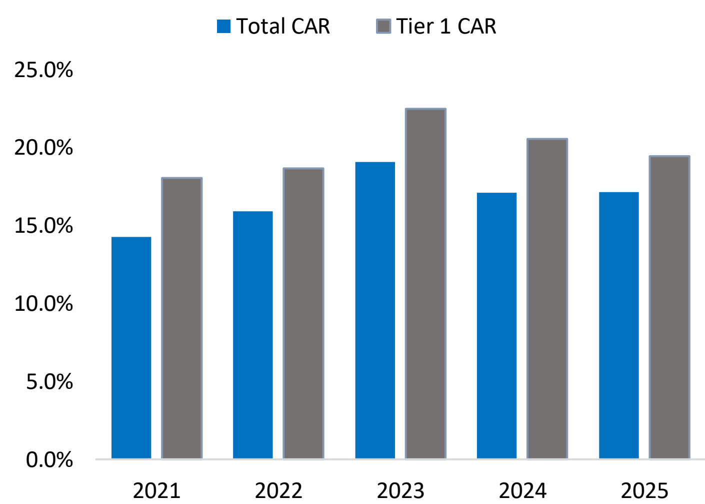


Exhibit: Total CAR and TIER 1 CAR from 2021-2025



Source: Company Accounts, IGI Research

4. Industry Leading ROE

Historically, over the period of last five years, the bank has maintained a sector-leading average ROE of ~42%, alongside a healthy average ROA of ~2.1%. The bank's strong profitability ratios indicates its ability to generate returns through robust balance sheet growth, disciplined cost controls, a low-cost funding base, cautious asset allocation and a proactive risk management approach.

Despite a challenging operating environment with declining interest rates and pressure on spreads, the bank managed to deliver strong earnings performance in CY25 with the ROE clocking in at 33% well above the industry average. The bank's ability to sustain its high profitability highlights the strength of its business model, solid market positioning, and effective management of funding costs and asset quality. For CY26e, we project the bank's ROE to clock in at around ~32%.

Exhibit: MEBL's PAT and EPS

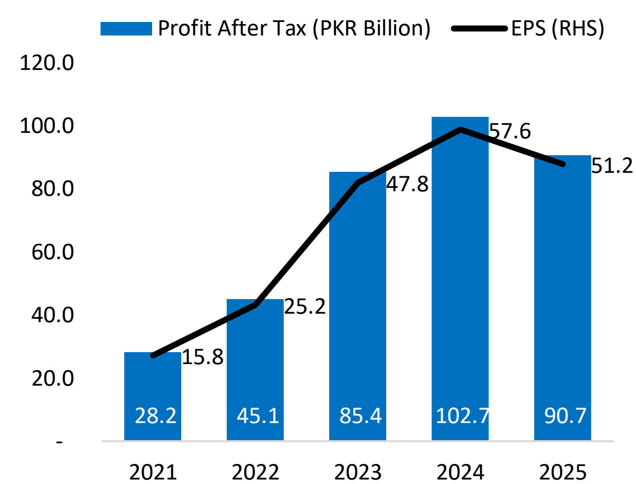
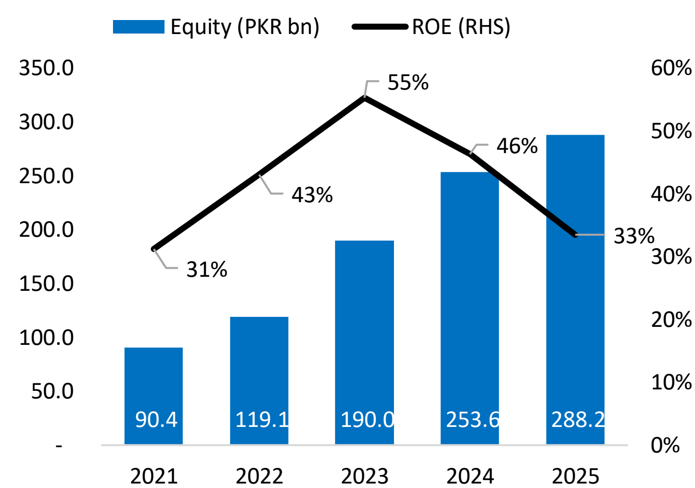


Exhibit: MEBL's Equity and ROE



Source: Company Accounts, IGI Research

5. MDR Headwinds Failed to Weaken Earnings Momentum

In Nov-2024, the State Bank of Pakistan introduced the Minimum Deposit Rate (MDR) framework for Islamic banks in the form of mandatory profit sharing on PKR savings deposits. Effective January 1, 2025, Islamic banks were required to offer a minimum return on savings deposits equivalent to 75% of their gross asset yield. The regulation, however, excluded financial institutions, public sector enterprises, and public limited companies. The introduction of MDR raised significant concerns regarding the profitability and spreads compression for Islamic banks with a high proportion of retail deposits. However, MEBL earnings remained resilient supported by the bank's strategic realignment of its liability mix. In CY25, the bank's cost of deposits was recorded at PKR 108.93bn translating into cost of deposits of ~3.7%.

Over the past five years, the Bank's earnings have grown at a strong CAGR of around 34%, and we expect this momentum to continue going forward despite some compression in NIMs due to normalization in asset yields and the impact of MDR. For CY26e, we project earnings to clock in at PKR 54.74/share.

Exhibit: Net Interest Income and NIMs

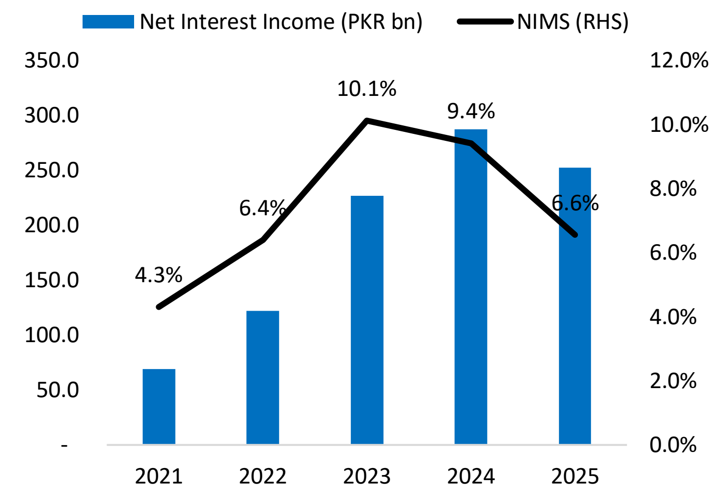
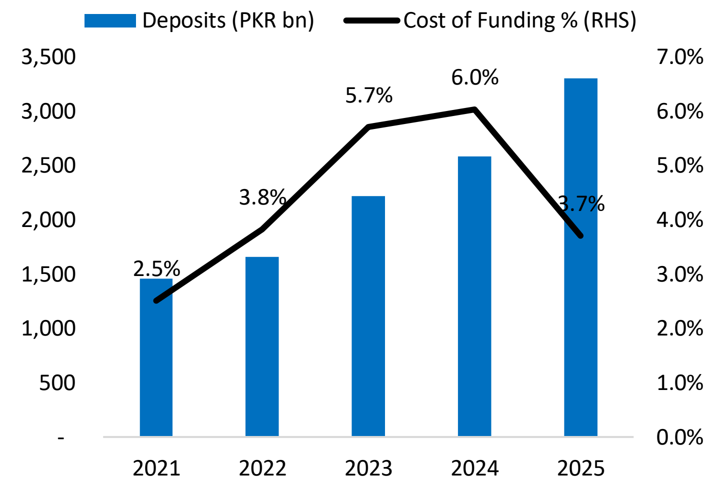


Exhibit: MEBL's Deposits and Cost of Funding



Source: Company Accounts, IGI Research

Valuation

We have a 'BUY' rating on MEBL with a Dec-26 target price of PKR 616.0/share offering a ~28% upside from the last closing price of PKR 479.56/share (22-May-26). We have determined our target price using Justified P/B Ratio methodology with forecasted average ROE of 28.1% (CY26-CY30) and justified P/B multiple of 2.63x.

Exhibit: MEBL's Historical P/B

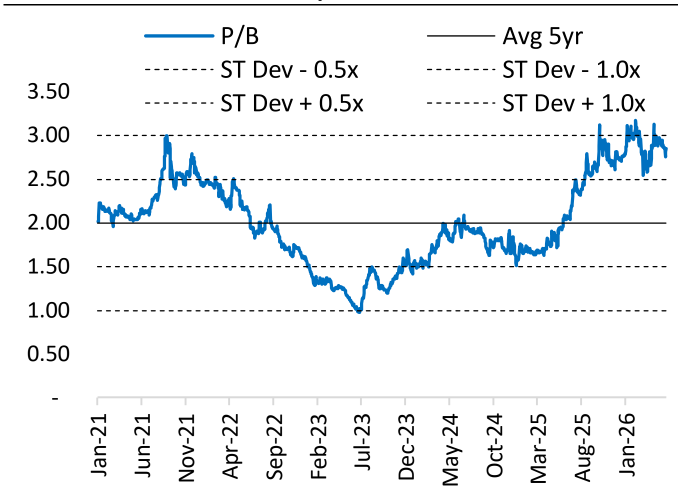
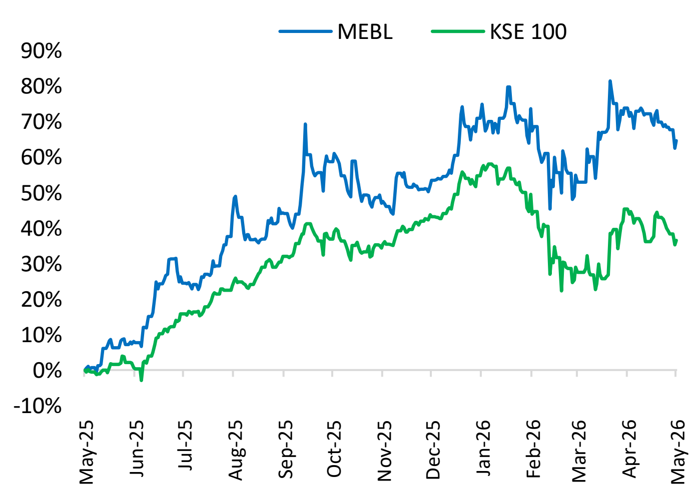


Exhibit: MEBL's Performance Comparison with KSE-100



Source: Company Accounts, CapitalStake, IGI Research

Key Catalysts

1. **Increase in Non-Interest Income:** Growth in non-funded income is expected to remain a key earnings driver for MEBL supported by higher fee and commission income on trade, remittances and fee from branch banking services. In CY25, fee and commission income increased by 15%y/y and commission on trade inclined by 18%y/y.
2. **Branch Expansion:** The bank's continued branch expansion strategy is expected to further strengthen its already solid geographical footprint and support further deposit mobilization. In CY25, the bank opened 54 new branches expanding the total branch network to 1,105 branches.
3. **Growth in private sector borrowings:** An improvement in macroeconomic conditions and lower interest rates are expected to revive private sector credit demand.

Exhibit: MEBL's Growth in Branches

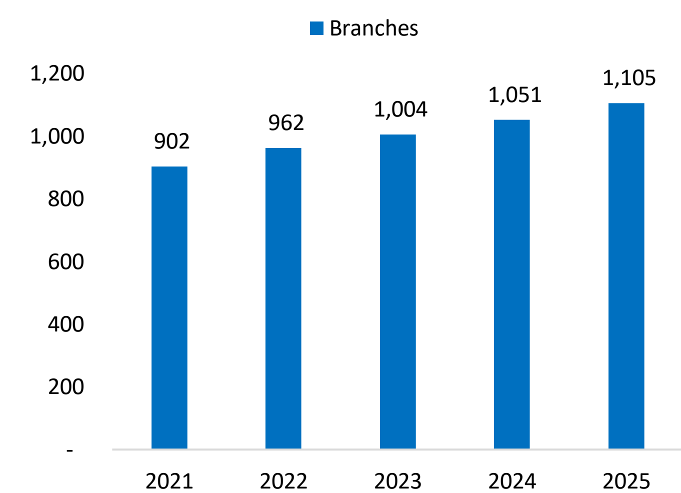
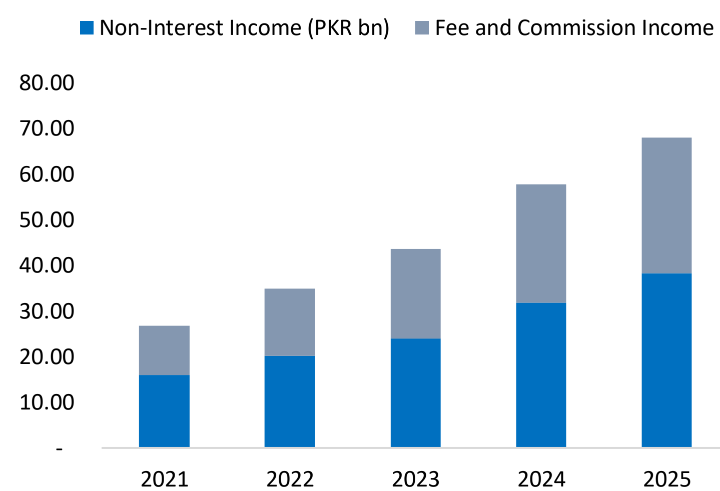


Exhibit: Contribution Fee Income in Non-Interest Income



Source: Company Accounts, IGI Research

Key Risks

1. **Asset Quality Risks such as increase in Non-performing loans:** A deterioration in macroeconomic conditions, amid the ongoing global uncertainty, can cause financial stress among borrowers and could lead to an increase in non-performing loans.
2. **Competitive Pressure in the Islamic Banking Space:** Competition within Pakistan's Islamic banking sector is expected to intensify as conventional banks continue to expand their Islamic banking operations through dedicated Islamic branches and subsidiaries

Financial Summary

Meezan Bank Limited (MEBL)

Current Price (PKR): 479.56 **Target Price (PKR): 616** **Upside: 28%** **Recommendation: BUY**

Period end (Dec) - PKRbn	CY22A	CY23A	CY24A	CY25A	CY26E	CY27F	CY28F
Income Statement							
Net Interest Income	122	226	287	252	284	306	341
Fee Income	15	20	26	30	31	33	34
Non-Interest Income	20	24	32	38	37	39	41
Total Revenue	142	250	319	291	321	345	381
Operating Expense	49	73	87	90	103	117	134
Profit Before Tax	89	172	226	200	210	217	237
Profit After Tax	45	85	103	91	97	103	112
Balance Sheet							
Cash	118	243	261	331	550	808	919
Lending	35	35	35	12	12	12	12
Investments- Net	1,287	1,578	1,879	2,608	3,242	3,698	4,368
Advances- Net	996	962	1,515	1,641	1,789	1,953	2,131
Borrowings	573	377	722	887	1,087	1,260	1,448
Deposits	1,658	2,217	2,585	3,302	4,045	4,689	5,393
Share Capital	18	18	18	18	18	18	18
Unappropriated Profit	72	123	164	195	238	283	333
Reserves	28	37	48	58	58	58	58
Total Equity	119	190	254	288	331	376	426

	CY22A	CY23A	CY24A	CY25A	CY26E	CY27F	CY28F
Per Share							
EPS	25.2	47.8	57.6	51.2	54.7	57.8	63.3
DPS	8.5	20.0	28.0	28.0	30.0	32.0	35.0
BVPS	66.6	106.1	141.3	160.1	184.0	209.0	236.5
Ratios							
Profit Margin	32%	34%	32%	31%	30%	30%	30%
Cost/Income	34%	29%	27%	31%	32%	34%	35%
Eff. Tax Rate	49%	50%	55%	55%	54%	53%	53%
NIMs	4.3%	3.6%	3.0%	3.2%	2.4%	2.1%	2.2%
Gross ADR	61%	45%	60%	51%	46%	43%	41%
Net IDR	78%	71%	73%	79%	80%	79%	81%
Valuation							
D/Y	2%	4%	6%	6%	6%	7%	7%
P/B	7.2	4.5	3.4	3.0	2.6	2.3	2.0
P/E	19.1	10.0	8.3	9.4	8.8	8.3	7.6
ROE (%)	43%	55%	46%	33%	31%	29%	28%
ROA (%)	2%	3%	3%	2%	2%	2%	1%
Non-Financial Information							
Branches	962	1,004	1,051	1,105	-	-	-

Source: PSX, Capital Stake, Company Accounts, Bloomberg, IGI Research

1QCY26 Financial Performance

MEBL announced its 1QCY26 results and reported Profit after Tax of PKR 22bn (EPS: PKR 12.39/share), remaining almost flat on a y/y basis. During the period, the Bank reported net interest income of PKR 61bn, witnessing a meagre decrease of -1%y/y. Moreover, the fee and commission income reported an incline of +26%y/y while the treasury income declined by -56%y/y increasing the non-interest income by +34%y/y to PKR 12bn. The total revenue of the bank clocked in at PKR 74bn up by 4%y/y. The operating expense was recorded at PKR 24bn for the period with the cost/income ratio settling at 33% (1QCY25: 28%). The bank recorded a minor provision charge of PKR -0.4bn as compared to PKR -2bn in the same period last year. The tax charge for this quarter was recorded at PKR 26bn (effective tax rate of 53% compared to 55% in 1QCY25).

Exhibit: MEBL Quarterly Financial Highlights - 1QCY26

PKR Billion	1QCY26	1QCY25	Y/Y
Net Interest Income	61	62	-1%
Fee Income	9	7	26%
Treasury Income	3	6	-52%
Non-Interest Income	12	9	34%
Total Revenue	**74**	**71**	4%
Op. Expense	24	20	19%
Share of Profit from Associates	-1	0	nm
Provision Charge	-0.4	-2	-76%
Profit Before Tax	48	49	-2%
Tax	26	27	-4%
Profit after Tax	**22**	**22**	0%
EPS (Basic)	**12.39**	**12.32**	**1%**
DPS	7.5	7.0	7%
Cost/Income	33%	28%	-
Effective tax	53%	55%	-

Source: Company Accounts, IGI Research, *Number of shares (bn): 1.80

Important Disclaimer and Disclosures

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Recommendation Rating System
Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)
Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)
Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

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