

## RESULT REVIEW

## Meezan Bank Limited – CY25

Monday, February 09, 2026

Meezan Bank's CY25 results reflect a challenging operating environment for the banking sector, with the bank posting PAT of PKR 92.2bn (down 11% Y/Y). The decline was primarily driven by compression in net return margins as yield normalization outpaced repricing of funding costs. While asset quality improvements were notable with provisions declining 58% Y/Y, revenue headwinds from lower yields weighed on overall profitability. On a positive note, the bank demonstrated resilience through enhanced fee income generation and disciplined cost management. To note MEBL announced a final dividend of PKR 7/ pr share in the last quarter, in conjunction to PKR 21/ pr share already distributed during the year.

**Net Return Compression:** Net return declined 12% Y/Y to PKR 252.5bn as return on earning assets fell 15% while funding costs declined a lesser 19%. The faster repricing of assets versus liabilities compressed margins, reflecting the typical lag effect in a declining rate environment.

**Strong Fee Income Growth:** Non-funded income showed resilience with fee and commission income up 15% Y/Y to PKR 29.8bn, partially offsetting the weakness in core spreads. This demonstrates the bank's success in diversifying revenue streams beyond traditional lending.

**Asset Quality Improvement:** Credit loss provisions decreased sharply by 58% Y/Y to PKR 3.9bn, indicating improved asset quality and lower stress in the loan book. This is a positive development that should support profitability going forward.

**Cost Discipline:** Operating expenses increased a modest 5% Y/Y to PKR 85.4bn, well below inflation and revenue growth, reflecting management's focus on operational efficiency.

**EPS Impact:** Diluted EPS declined ~12% Y/Y to PKR 50.15, in line with our expectations. .

Financials (PKR in mn)	CY25	CY24	Y/Y
Profit / return earned on Islamic financing and related assets, investments, and placements	420,481	494,310	-14.94%
Profit/ return on deposits and other dues	168,027	207,267	-18.93%
<b>Net Profit/ return</b>	<b>252,455</b>	<b>287,043</b>	<b>-12.05%</b>
<b>Other Income</b>			
Fee and commission income	29,751	25,838	15.14%
Dividend income	380	627	-39.36%
Foreign exchange income	5,478	829	561.23%
Gain on securities	989	3,512	-71.83%
Net loss on derecognition of financial	-	(186)	-100.00%
Other income	1,595	1,230	29.68%
Total other income	38,193	31,848	19.92%
Total Income	290,648	318,891	-8.86%
<b>Other Expenses</b>			
Operating expenses	85,405	81,656	4.59%
Workers' welfare fund	4,364	4,756	-8.24%
Other charges	81	435	-81.46%
Total other expenses	89,850	86,847	3.46%
	200,798	232,044	-13.47%
Share of profit of associates	3,387	3,457	-2.05%
Profit before credit loss allowance/ provi-	204,184	235,502	-13.30%
Credit loss allowance / provisions and	3,886	9,222	-57.87%
Other income / expense items	-	-	
<b>Profit before Taxation</b>	<b>200,299</b>	<b>226,279</b>	<b>-11.48%</b>
Taxation	108,120	122,560	-11.78%
<b>Profit after Taxation</b>	<b>92,178</b>	<b>103,719</b>	<b>-11.13%</b>
Attributable to:			
Equity holder of the Holding company	90,717	102,689	-11.66%
Non-Controlling Interest	1,461	1,030	41.83%
	92,178	10,319	793.26%
<b>Basic earnings per share</b>	<b>50.47</b>	<b>57.28</b>	<b>-11.89%</b>
<b>Diluted earnings per share</b>	<b>50.15</b>	<b>56.96</b>	<b>-11.96%</b>

Source: Company Financials, HMFS Research

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To arrive at our fair value estimates, HMFS uses different valuation methodologies including but not limited to:

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

### HMFS RATING GUIDE

<b>BUY</b>	More than 15% Upside
<b>HOLD</b>	Between 15% Upside & 15% Downside
<b>SELL</b>	More than 15% Downside

**Note:** All fair value estimates are for a twelve-month time horizon unless specified otherwise in the report  
Upside/Downside represents the difference between the stated "Fair Value" & the prevailing "Market Price"  
Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes