



MEBL: 1QCY26 Result Review - Payout increases to Pkr7.5/sh



AKD Securities Limited

Meezan Bank Ltd. (MEBL) announced its 1QCY26 financial results earlier today, wherein the bank posted profit of Pkr23.4bn (EPS: Pkr13.0) for the quarter, up 6% YoY/7%QoQ. The result is slightly below our expectations due to lower than expected Net Spread Earned. In addition to the result, bank announced an interim cash payout of Pkr7.5/sh against our expectation of Pkr7.0/sh.

- Net Spread Earned recorded at Pkr61.4bn in 1QCY26, down 1%YoY/4%QoQ, as drop in Return on Assets overshadowed the decline in Profit on Deposits.
- Return of Islamic financing and assets decreased by 2%YoY/2%QoQ to Pkr105.8bn, due to decline in yields of investment and financing, in our view. Bank's estimated NIMs fell to 5.6% in 1QCY26 from 7.1% in SPLY.
- Bank's total other income increased to Pkr11.2bn (up 36%YoY/62%QoQ). We attribute increase in Non-interest income to higher FX, Fee, Dividend and Gain on sale of securities. Bank's reported FX income of Pkr1.8bn in 1QCY26 compared to Pkr1.6bn in 1QCY25 and loss of Pkr510mn in 4QCY25. Moreover, gain on sale of securities recorded at Pkr951mn compared to Pkr11mn and loss of Pkr41mn in 1QCY25/4QCY25, respectively.
- Bank's credit allowance reduced to Pkr449mn, compared to a provision of Pkr1.9bn in 1QCY25 and Pkr252mn in 4QCY25.
- Total other expense was recorded at Pkr23.2bn, up 18%YoY/down 18%QoQ, translating into cost to income ratio of 31.9% against 28.1%/33.8% in 1QCY25/4QCY25.
- Effective taxes declined to 52.5% (vs. 54.5%/53.4% in 1QCY25/4QCY25), due to decrease in effective tax rates for banks beginning from this year.
- The bank increased its dividend payout to Pkr7.5/sh for the first quarter.
- We have a 'BUY' stance on MEBL with Dec'26 target price of Pkr672.0/sh. Our liking for MEBL stems from; i) strong deposit growth, ii) high CASA ratio, and iii) impeccable asset and efficiency indicators.

MEBL: Income Statement

(PkrMn)	1QCY26	1QCY25	YoY	4QCY25	QoQ
Profit / return on Islamic Financing & assets	105,831	107,617	-2%	108,349	-2%
Profit on Deposits	44,404	45,826	-3%	44,105	1%
Net Spread Earned	61,427	61,790	-1%	64,244	-4%
Total Other Income	11,151	8,178	36%	6,863	62%
Credit Loss Allowance	449	1,858	-76%	252	78%
Total Other Expenses	23,150	19,631	18%	24,064	-4%
Profit Before Tax	48,979	48,479	1%	46,791	5%
Profit After Tax	23,405	22,048	6%	21,815	7%
EPS - Basic	13.0	12.2	6%	12.1	7%
DPS	7.5	7.0	7%	7.0	7%

Source: PSX & AKD Research

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- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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