

RATING REPORT

Meezan Bank Limited (MEBL)

REPORT DATE:

June 30, 2025

RATING ANALYSTS:

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RATING DETAILS				
Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity Rating	AAA	A1+	AAA	A1+
Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Sukuk 2 (ADT-1) Rating	AA+		AA+	
Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Sukuk 3 (Tier-2) Rating	-		AAA	
Outlook/Rating Watch	-		Stable	
Rating Action	Withdrawn		Reaffirmed	
Sukuk 4 (Tier-2) Rating	AAA		AAA	
Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Rating Date	June 30, 2025		June 28, 2024	

COMPANY INFORMATION

Established in 1997	External auditors: A.F. Ferguson & Co., Chartered Accountants
Listed Public Limited Company	Chairman of the Board: Mr. Riyadh S.A.A. Edrees
Key Shareholders (with stake more than 5%):	President & CEO: Mr. Irfan Siddiqui
Noor Financial Investment Co, Kuwait – 35.2%	
Pakistan Kuwait Investment Co. (Pvt.) Ltd. – 29.9%	
Islamic Development Bank, Jeddah – 9.3%	

APPLICABLE METHODOLOGY

Financial Institution

<https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf>

Instrument Rating

<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>

VIS Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Meezan Bank Limited (MEBL)

OVERVIEW OF
THE
INSTITUTION

RATING RATIONALE

Meezan Bank Limited is the largest Islamic commercial bank in Pakistan, which commenced operations in March 2002, after being issued the first ever Islamic commercial banking license by the State Bank of Pakistan (SBP).

Noor Financial Investment Company Limited, Pakistan Kuwait Investment Company (Pvt.) Limited and Islamic Development Bank are the primary shareholders of MEBL.

Profile of Chairman

Mr. Riyadh Edrees serves as Chairman of the Board. Mr. Edrees holds more than 30 years of experience at various organizations

Profile of CEO

Mr. Irfan Siddiqui is the founding President and CEO of MEBL. Mr. Siddiqui is a qualified Chartered Accountant from the Institute of Chartered Accountants of England & Wales.

The assigned ratings reflect Meezan Bank's (MEBL or "the Bank") status as Pakistan's largest and strategically important Islamic bank, underpinned by its dominant market position, sound financial profile, and consistent franchise growth. The Bank continues to demonstrate operational and strategic strength across key performance indicators, with sustained asset expansion, robust profitability, sound asset quality, and strong capitalization metrics.

A core competitive strength lies in MEBL's large and stable deposit base, which reached PKR 2.88 tn as of Mar'25, reflecting a year-on-year increase of 16.6% in CY24 and a further 11.4% growth in 1QCY25. The Bank has consistently outpaced industry deposit growth, with its market share rising to over 9.1% by 1QCY25. Notably, the deposit mix is heavily skewed toward low-cost funding, with a CASA ratio of 93.1%, one of the highest in the industry. The strong composition of current and savings accounts allows Meezan Bank to maintain a lower average cost of funds compared to peers, providing a structural advantage in sustaining spreads and profitability, particularly amid periods of monetary easing.

The deposit base is also highly granular and diversified, thereby reducing concentration risk and enhancing funding resilience. Liquidity metrics remain robust, with the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) reported at 292% and 239%, respectively, well above regulatory thresholds.

The Bank's operations remain aligned with Islamic principles, overseen by a dedicated Shariah Board and compliance framework. Shariah governance is embedded across all functions, supported by regular audits, training, and centralized oversight, reinforcing stakeholder confidence and strengthening the Bank's positioning within the Islamic finance ecosystem.

On the asset side, MEBL's balance sheet expanded by 29.5% in CY24, reaching PKR 3.9 tn, significantly outpacing the industry average of 15.8%. Growth was led by a 56.9% increase in gross financings, primarily in 4QCY24, as the Bank responded to regulatory ADR targets. While some of this portfolio has begun to run off in early 2025 following the withdrawal of the regulatory ADR requirement, the Bank has expressed its intent to maintain a healthy financing-to-deposit ratio, consistent with historical levels.

The financing book is broadly diversified, with exposures across key sectors such as textiles, chemicals & pharmaceuticals, oil & gas, agriculture, and logistics. Meezan has also maintained a cautious approach to SME and consumer lending, keeping credit risk in check. Asset quality indicators remain sound with the Bank reporting a gross infection ratio of 1.6% at end 2024, despite a rise in non-performing financings (NPFs). The increase was mainly attributed to sector-specific stress in construction and steel. Nonetheless, provisioning coverages remained strong, resulting in a net infection ratio of just 0.1%, reflecting prudent risk management measures. By 1QCY25, while the gross infection ratio rose slightly to 2.1%, it still compares favorably to the industry average.

Meezan Bank also follows a conservative investment strategy, with over 92.8% of its PKR 2.05 tn investment portfolio as of Mar'25 allocated to sovereign securities, mainly floating-rate GoP Ijarah Sukuk. This structure limits market risk while providing flexibility in managing interest rate cycles.

Despite challenges stemming from the sharp decline in benchmark interest rates over the course of CY24, Meezan Bank's profitability has remained resilient. In CY24, the Bank reported a 20.2% increase in net profit to PKR 101.5 bn, supported by healthy growth in net spreads, expansion in average earning assets, and strong growth in non-markup income, which rose by 30.6%. The latter was driven by increased trade-related fees, card-based income, and treasury gains. Efficiency ratio improved despite an increase in operating expenses. The increase in operating expenses was due to branch expansion and ongoing investment in technology infrastructure. In 1QCY25, profitability came under pressure due to further spread compression, but non-funded income and tight cost control helped moderate the impact.

The Bank's capitalization profile remains strong, with Tier-1 and Total Capital Adequacy Ratios (CAR) improving to 20.3% and 23.2%, respectively, as of Mar'25, well above minimum regulatory requirements. Strong internal capital generation continues to underpin capital growth, complemented by a prudent dividend payout policy aimed at preserving the Bank's capital strength.

Going forward, while margin pressures are likely to persist in a low-interest rate environment, exacerbated by regulatory constraints such as the Minimum Deposit Rate (MDR) on savings accounts, Meezan Bank is well-positioned to preserve profitability. Its strong low-cost funding base, focus on non-markup income, and higher operational efficiency is expected to support future profitability. As per management, planned physical expansion will be selective, based on deposit potential and market presence, and will be complemented by ongoing digital transformation efforts, aimed at improving service delivery, customer engagement and penetration.

Banking Sector

In 2024, Pakistan's banking sector demonstrated resilience amid improving macroeconomic conditions, including lower inflation, currency stability, and fiscal consolidation. The sector's balance sheet expanded by 15.8%, with deposits growing 9.1% to PKR 31.8 tn, supported by favorable interest rates and financial inclusion initiatives. A major portion of deposits flowed into government securities, though private-sector lending picked up in Q4 due to regulatory advances-to-deposit ratio (ADR) requirements. By year-end, the Gross ADR stood at 53.2%.

Profitability remained stable, with after-tax profits marginally increasing to PKR 644 bn. While net interest margins held steady, monetary easing and higher provisioning slightly pressured returns. Asset quality improved as NPLs declined to 6.3%, and provisioning coverage increased, supported by the implementation of IFRS-9. The Capital Adequacy Ratio (CAR) rose to 20.4%, reflecting strong capitalization.

Going into 2025, the sector remains well-capitalized with improved asset quality and liquidity. However, declining policy rates (from 22% to ~11%) may compress margins. Credit growth is expected to rebound, especially to SMEs and consumer, driven by lower

rates, economic recovery and regulatory support. Continued digitalization and financial inclusion efforts are likely to enhance efficiency and outreach. While macroeconomic risks persist, the sector in 2025 continues to demonstrate cautious optimism, supported by resilient fundamentals.

Meezan Bank Limited (MEBL)

Appendix I

FINANCIAL SUMMARY		(PKR in millions)			
BALANCE SHEET	31-Dec-22	31-Dec-23	31-Dec-24	31-Mar-25	
Total Investments	1,283,210.29	1,572,387.62	1,870,535.62	2,050,138.76	
Islamic financing and related assets - Gross	1,018,101.76	992,027.46	1,556,362.32	1,443,544.06	
Islamic financing and related assets - Net	995,508.35	961,673.01	1,514,755.94	1,400,324.98	
Total Assets	2,577,397.51	3,012,108.76	3,900,411.33	4,026,412.66	
Due to financial institutions	573,326.44	377,494.61	722,286.32	611,209.16	
Deposits & other accounts	1,658,490.12	2,217,473.92	2,584,871.30	2,880,267.57	
Subordinated Sukuks	20,990.00	20,990.00	20,990.00	20,990.00	
Total Liabilities	2,462,076.82	2,827,201.24	3,653,427.04	3,779,046.10	
Paid Up Capital	17,896.24	17,912.53	17,947.41	17,947.41	
Tier-1 Equity	120,339.89	178,598.93	228,804.08	238,579.89	
Net Shareholders Equity (excl. revaluation surplus)	115,984.36	173,986.92	224,843.10	234,703.63	
INCOME STATEMENT	CY22	CY23	CY24	1QCY25	
Net Spread Earned	121,703.63	226,428.82	287,039.36	61,790.41	
Net Provisioning / (Reversal)	4,176.66	7,340.41	9,221.07	1,858.38	
Total Other Income	19,103.19	22,107.16	28,877.95	8,177.80	
Operating Expenses	46,239.83	67,876.60	79,509.60	18,610.64	
Profit/ (Loss) Before Tax	88,384.83	169,407.92	222,085.10	48,478.59	
Profit / (Loss) After Tax	45,006.61	84,475.64	101,507.52	22,047.60	
RATIO ANALYSIS	CY22	CY23	CY24	1QCY25	
Market Share (Financings) (%)	8.55%	8.03%	9.72%	10.72%	
Market Share (Deposits) (%)	7.38%	7.96%	8.54%	9.11%	
Gross Infection (%)	1.34%	1.71%	1.62%	2.10%	
Net Infection (%)	0.08%	0.09%	0.09%	0.34%	
Specific Provisioning Coverage (%)	94.02%	95.09%	94.62%	84.25%	
General Provisioning Coverage (%)	0.97%	1.46%	1.16%	1.25%	
Net NPFs to Tier-1 Capital (%) (adj. for general prov.)	0.63%	0.43%	0.55%	1.86%	
Cost of Deposits (%)	3.82%	5.76%	6.01%	3.85%	
Spread (%)	6.09%	9.41%	10.13%	7.10%	
Efficiency (%)	33.12%	27.36%	25.53%	26.73%	
ROAA* (%)	2.01%	3.02%	2.94%	2.23%	
ROAE* (%) (excl. revaluation surplus)	45.35%	58.26%	50.90%	38.38%	
Liquid Coverage Ratio (%)	284.00%	283.00%	305.00%	292.00%	
Net Stable Funding Ratio (%)	157.00%	206.00%	177.00%	239.00%	
Liquid Assets to Deposits & Borrowings** (%)	56.31%	68.74%	60.17%	60.86%	
Gross Financings to Deposits Ratio (ADR) *** (%)	53.22%	38.37%	55.70%	46.36%	
Tier-1 CAR (%)	15.69%	18.93%	16.88%	20.26%	
Capital Adequacy Ratio (%)	18.42%	22.39%	20.35%	23.21%	

*Annualized

** Adjusted for repo and collateral

*** Adjusted for SBP refinancing schemes

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Meezan Bank Limited				
Sector	Commercial Banks				
Type of Relationship	Solicited				
Purpose of Rating	Entity & Instrument Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action
	RATING TYPE: ENTITY				
	30-Jun-25	AAA	A1+	Stable	Reaffirmed
	28-Jun-24	AAA	A1+	Stable	Reaffirmed
	27-Jun-23	AAA	A1+	Stable	Reaffirmed
	29-Jun-22	AAA	A1+	Stable	Reaffirmed
	30-Jun-21	AAA	A1+	Stable	Upgrade
	30-Jun-20	AA+	A1+	Stable	Reaffirmed
	28-Jun-19	AA+	A1+	Stable	Reaffirmed
	30-May-18	AA+	A1+	Stable	Upgrade
	22-Jun-17	AA	A1+	Stable	Reaffirmed
	02-Jun-16	AA	A1+	Stable	Reaffirmed
	29-Jun-15	AA	A1+	Stable	Reaffirmed
	Rating Date	Medium to Long Term		Outlook/ Rating Watch	Rating Action
	RATING TYPE: Sukuk 2 (ADT-1)				
	30-Jun-25	AA+		Stable	Reaffirmed
	28-Jun-24	AA+		Stable	Reaffirmed
	27-Jun-23	AA+		Stable	Reaffirmed
	29-Jun-22	AA+		Stable	Reaffirmed
	24-Nov-22	AA+		Stable	Upgrade
	30-Jun-21	AA		Stable	Upgrade
	30-Jun-20	AA-		Stable	Reaffirmed
	28-Jun-19	AA-		Stable	Reaffirmed
	20-Aug-18	AA-		Stable	Final
	05-Jun-18	AA-		Stable	Preliminary
	Rating Date	Medium to Long Term		Outlook/ Rating Watch	Rating Action
	RATING TYPE: Sukuk 3 (Tier-2)				
	30-Jun-25	-		-	Withdrawn
	28-Jun-24	AAA		Stable	Reaffirmed
	27-Jun-23	AAA		Stable	Reaffirmed
	29-Jun-22	AAA		Stable	Reaffirmed
	24-Nov-21	AAA		Stable	Upgrade
	30-Jun-21	AA+		Stable	Upgrade
	30-Jun-20	AA		Stable	Reaffirmed
	21-Jan-20	AA		Stable	Final
	19-Nov-19	AA		Stable	Preliminary
	Rating Date	Medium to Long Term		Outlook/ Rating Watch	Rating Action
	RATING TYPE: Sukuk 4 (Tier-2)				
	30-Jun-25	AAA		Stable	Reaffirmed
	28-Jun-24	AAA		Stable	Reaffirmed
	27-Jun-23	AAA		Stable	Reaffirmed

	29-Jun-22	AAA	Stable	Reaffirmed
	31-Dec-21	AAA	Stable	Final
	30-Jun-21	AAA	Stable	Preliminary
Instrument Structures	<p>Sukuk 2: Additional Tier I Sukuk - Unsecured Basel 3 compliant Tier I Sukuk, sub-ordinated privately placed based on Mudaraba of Rs. 7b as instrument of redeemable capital under section 66 of the Companies Act, 2017.</p> <p>Sukuk 3: Basel 3 compliant Tier 2 Sukuk, privately placed, unsecured & subordinated Sukuk amounting to Rs. 4b issued Jan'20 respectively featuring maturity of 10 years from issue date.</p> <p>Sukuk 4: Basel 3 compliant Tier 2 Sukuk of Rs. 10b (inclusive of a Rs. 3b green shoe option). The Issue is unsecured & sub-ordinated. Tenor of the issue is 10 years, and repayment structure is bullet payment at the end of the tenor.</p>			
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
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Due Diligence Meetings Conducted	Name		Designation	Date
	1	Mr. Urooj ul Hasan Khan	Head, Corporate & Investment Banking	10-Jun-25
	2	Mr. Shahzad Abdullah	Head of Treasury	
	3	Mr. Syed Tariq Hassan	Chief Risk Officer	
	4	Mr. Ahmed Ali Siddiqui	Head of Shariah Compliance	
	5	Mr. Adeel Ali Khan	Financial Controller	