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Team Data Miners

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Ticker: MEBL

Islamic Banking Industry

Current Price: PKR 113.8 as of 12/01/21

Date: 18/01/21

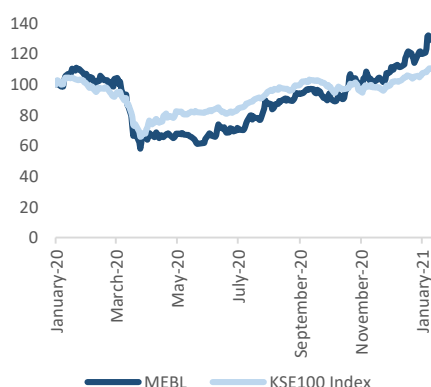
Recommendation: **BUY** (Upside: 37%)

Target Price: 155.9

Market Snapshot

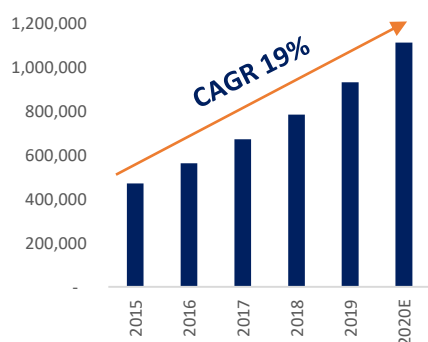
Ticker	MEBL
Target Price	PKR 155.9
Last Close (12-1-21)	PKR 113.8
Upside (%)	37.0%
Dividend Yield (%)	6.2%
Market Cap (PKR mn)	161,010
Number of Shares (mn)	1,415
52-Week High	PKR 120.0
52-Week Low	PKR 55.5
Free Float (%)	25%

Meezan Bank relative performance



Source: Pakistan Stock Exchange

MEBL Deposits



Source: Company Accounts

A perfect blend of quality and growth

We issue a **"BUY"** recommendation on Meezan Bank Limited (MEBL) based on triad valuation approaches; Justified P/B, DDM and Relative Valuation. Our 12-month target price comes at PKR155.9, having a potential upside of 37.0% accompanied with a dividend yield at 6.2%.

Our recommendation is primarily based on 3 factors, i) strong and sustainability profitability, ii) robust asset quality and iii) focus on technology.

- **Strong and sustainable profitability:** We expect ROE of MEBL to remain in the range of 24%-26% in CY21-25F, which is primarily on the back of strong net interest margins (average 4.6% in next 5 years) and improving cost efficiency (cost to income ratio declining by 7ppts over next 5 years).
- **Sturdy loan book:** MEBL has exhibited exceptional asset quality by having a low NPLs ratio of 2% in past 4 years and a very high provision coverage of 141%. We expect MEBL to continue its cautious lending approach among commercial and corporate clientele to maintain the NPL ratio of c. of 2% over the next 5 years.
- **Focus on technology:** MEBL's tech focus is positioning the bank well for next leg of growth. This would allow the bank to maintain or even increase its market share and also reduce the operating costs. MEBL has seen a 39% increase in technology expenses in 2019, and is partnering with various companies to expand its offerings. The quality of tech also seems plausible.

Pakistan banking industry is also going through a tough phase due to challenges posed by Covid-19, some of the recent themes in the banking industry, including Islamic banking industry are:

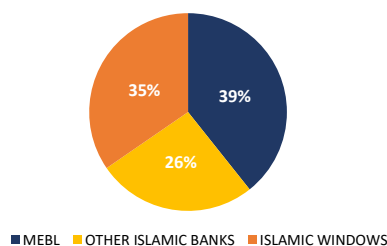
- **Bottomed out interest rates:** The Covid'19 pandemic caused monetary easing as policy rates dropped by 625 bps from 13.25% to 7%. This brought real interest rates into negative territory. However, with the resumption of IMF program, the monetary policy is expected to turn contractionary with rates rising gradually to 8.5% by 2022. Banks will be beneficiaries of this trend.
- **NPL's situation turning out better than expected:** Covid'19 related lockdowns had raised concerns about material increase in infection ratio for banks. However, the government's and SBP's timely policies towards stimulating the economy saved the day for banks and NPLs have remained largely controlled.
- **Investment avenues for Islamic banks are growing:** Islamic banks largely rely upon sukuk issuances by government to park their assets risk-free, but the issuance of these instruments have been very limited in the past. However, this is changing as the government is active in sukuk issuance recently which would prove win-win for both government and IBs.

Investment risks: Major downside risks to our assumptions include 1) Unexpected movement of the benchmark policy rate 2) Insufficient supply of Shariah compliant instruments 3) Major increase in non-performing loans and 4) Higher than expected impact of IFRS 9 implementation.

Key Information	2019	2020E	2021F	2022F	2023F	2024F
EPS	12.1	17.0	14.5	18.0	19.9	23.2
DPS	5.0	8.0	7.0	7.0	8.0	9.0
Dividend Payout	41%	47%	45%	40%	40%	40%
NIM	4.8%	5.7%	4.7%	4.6%	4.6%	4.6%
NPL Infection	1.8%	2.0%	2.1%	1.8%	1.7%	1.8%
NPL Coverage	142%	146%	152%	159%	150%	141%
CAR Ratio	17.2%	18.7%	17.5%	17.1%	16.7%	16.3%

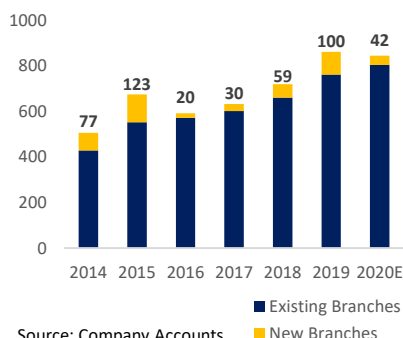
Source: Team Data Miners

MEBL market share in Islamic banking industry



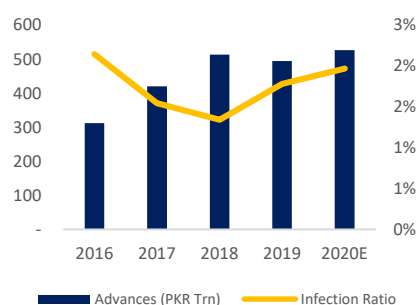
Source: Company Accounts

Branch Expansion



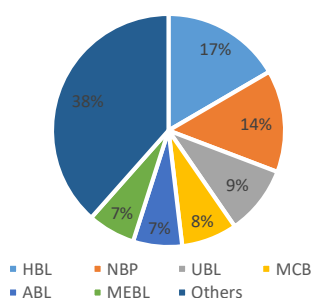
Source: Company Accounts

Advances & Infection Ratio



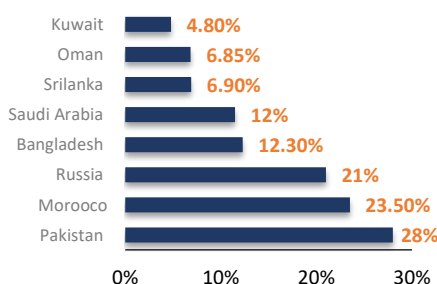
Source: Company Accounts

Banking Industry Market Share



Source: Company Accounts

Currency in Circulation



Source: Team Data Miners

Business Description

Meezan bank Limited (MEBL) incorporated in 1997 as an Islamic investment bank. But later in 2002, MEBL stepped into banking industry as Islamic bank by acquiring Societe Generale Bank (conventional bank) and converting it into Islamic bank. MEBL is now the 6th largest bank in Pakistan banking industry and the largest bank in Islamic banking industry in terms of its deposits base. Over the last 10 years, MEBL has widened its branch network in Pakistan from 222 branches in 2010 to 800+ branches in 2020. MEBL is the premier Islamic bank and is considered as the gold standard for shariah compliant banking. MEBL has recently acted as investing agent and trustee of the 'Pakistan Energy Sukuk Bond' and helped SBP to successfully raise PKR 200 bn for the second series of PES Bonds by being a sole contributor of 85 bn. Moreover, COVID-19 created a room for digitalizing the banking operations and MEBL took the opportunity to lead in the market by successfully providing the prime banking experience to its customers on the digital platform.

The largest Islamic Bank of Pakistan: MEBL is now the 6th largest bank in Pakistan banking industry and 1st largest bank in Islamic banking industry in terms of its deposits base. By the end of Sep 2020, MEBL crossed 1 Trillion deposits as a result of its domestic geographical expansion to 802 branches (from 760 branches in year 2019), and increasing consumer preference for Islamic products for parking their excess funds. The deposits of MEBL have increased at 5Y CAGR of 18.76%, with the market share of 39% in Islamic industry. Whereas, the deposits of overall industry have grown at 5Y CAGR of 18.0%.

Active lender: Contributing to economic growth: MEBL, being an Islamic bank, has limited risk-free investment avenues due to limited sukuk issuances by the government in past. Therefore, advances have been the key source of parking their funds. MEBL's advances had 5Y CAGR of 20.4% from 2015-2020E, while the total banking industry advances had a 5Y CAGR of 12.3% for the same period of time. MEBL is also a leading bank in housing finance services and is expecting a decent contribution from Naya Pakistan Housing Scheme. Despite strong advances growth and consumer loans, MEBL has maintained its asset quality with NPL ratio being less than 2.5% in past 5 years.

Robust capital positioning: CAR of the bank currently stands at 23.1%, which is much higher than the SBP's requirement of 12.5%. Despite strong advances and asset growth, MEBL has still managed to stand out with a high CAR, which would continue to support its future growth and allow the bank to pay out dividends to its shareholders.

Strong NIMs: Net interest income margins of the bank stand at 5.7% compared to industry average of 4%. This is mainly because Islamic banks have no minimum deposit rate (MDR) requirement which allows banks to offer lower rates on its deposits, thus reducing the cost of fund and acting as a winning edge for MEBL over its peers.

Industry overview and Competitive Positioning

MEBL, being one of the largest players in Pakistan's banking industry, competes well in the traditional banks category and the sub-category of Islamic Banking. Therefore, it is pertinent to discuss both industries and their issues.

The Banking sector of Pakistan:

Pakistan's evolving and expanding banking sector has 33 scheduled banks which consist of 25 domestic, 5 foreign and 3 specialized banks. It has total deposits, net assets and annual profitability worth PKR 16 trn, PKR 23 trn and PKR 150 bn respectively. The top six banks (HBL, ABL, NBP, UBL, MEBL and ABL) hold 62% of the market share in the banking industry with the market leader, HBL, accounting for 17% followed by MEBL trailing with 7% of the pie. Overall, the sector has witnessed a 5-year CAGR of 13%.

Pakistan's banking sector has seen many twists and turns in its 70-year-old history due to different policies of nationalization, Islamization and liberalization. However, following 1990's post nationalization reforms, this sector has been transformed into a competitive, effective and sound pillar of Pakistan's economy. The strict, vigilant and proactive involvement of state banks has helped the banking sector navigate through shocks like the 2008 financial crisis and Covid'19.

The structural issues pertaining to Pakistan's Banks are:

Unbanked Population: Pakistan has 28% of currency in circulation which is one of the largest in the world. In addition to, only 21% of Pakistanis are Bank account holders. The reason main driver behind Pakistan's enormous undocumented economy is high taxation on non-filers and belief of certain population regarding un-Islamic and complicated nature of Banking.

Unchartered territory of SMEs and MSMEs: The major clientele of Pakistani banks consists of corporate clients while SMEs and MSMEs remain neglected due to risk averse behavior of banks. Financing SMEs will not only help alleviate poverty and generate employment opportunities but will also assist banks in diversifying unsystematic risks and earning better risk premiums.

Soaring taxation: The banking sector is taxed a higher percentage in comparison with other sectors of Pakistan (35% for banks vs. 29% for other industries). Along with that, a super tax of 3% is charged from banks. This adversely affects the profitability and attractiveness for new entrants in the banking industry.

More recent developments and issues in Pakistan banking industry include:

Interest rates bottomed out: The Covid'19 pandemic caused monetary easing as policy rates dropped by 625 bps from 13.25% to 7%. This brought real interest rates into negative territory. However, with the resumption of IMF program and Pakistan's quest for enhancing its reserves, the monetary policy is expected to turn contractionary with rates rising gradually to 8.5% by 2022. Banks will be beneficiaries of this trend.

NPL's situation turning out better than expectation: The recent economic progress after IMF program was hindered by Covid'19 which raised concerns about material increase in infection ratio for banks. However, the government's and SBP's timely policies towards stimulating the economy saved the day for banks and NPLs have remained largely controlled.

Technology could be a potential game changer: Although 2020 can be considered a difficult year for most of the sectors but it was a blessing in disguise for technological inclusion as banks moved to offer their products through digital channels. In addition, SBP is also active in promoting digital financial services and have recently launched Raast, an instant payment system to serve payment needs of Pakistan financial sector customers. We think that the Pakistan banking sector is at the cusp of technological revolution.

Islamic Banking Industry of Pakistan

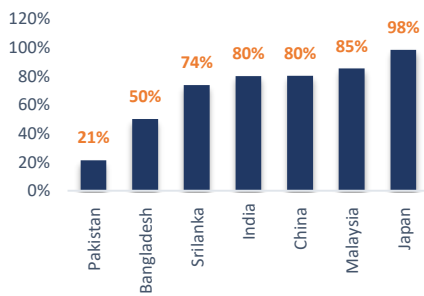
Growing much faster than traditional banks: The Islamic banking industry of Pakistan has total deposits worth PKR 1.72 trn. This makes up 17.3% of the overall banking sector with 5 full-fledged Islamic banks (IBs) and 17 conventional banks having standalone Islamic banking branches (IBBs). The annual growth in Islamic Banking deposits has outpaced conventional banking growth with a 5-year CAGR of 18% in comparison to a 5-year CAGR of 11% respectively, this, in our view, reflects the inclination of customers towards Islamic banking.

MDR waiver gives an edge in pricing: Islamic banks have a huge advantage with non-existence of MDRs. This reduces the cost of deposits and enhances earnings and shareholders' return. The Islamic banks have the free will to price the deposits, but the competition plays its role.

Limited investment avenues is a key challenge: Since Islamic banks are unable to invest in conventional government bonds (T-bills or PIBs), they rely upon sukuk issuances to park their assets risk-free, but the issuance of these instruments have been very limited in the past. This is one of the reasons for high FI placements for Meezan and other Islamic banks, which earn a lower yield. However, this is changing as the government is active in sukuk issuance recently which would prove win-win for both government and IBs.

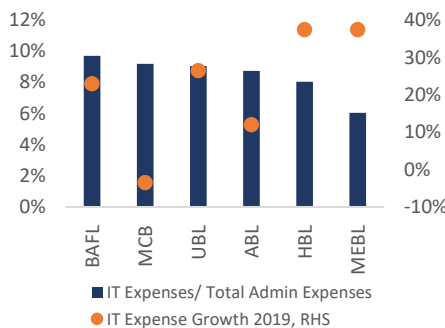
Rising competition: The tremendous potential of Islamic Banking complemented with SBP's commitment to expand this industry is a lucrative opportunity for conventional banks. Currently, Faysal Bank is transforming into a full-fledged Islamic Bank while various conventional banks, like MCB, are planning to launch their Islamic banking subsidiaries. With the likes of HBL, BAFL and UBL actively involved in such offerings, it can prove to be challenging for incumbents like Meezan Bank to maintain their market share.

Account-Holding Population (%)



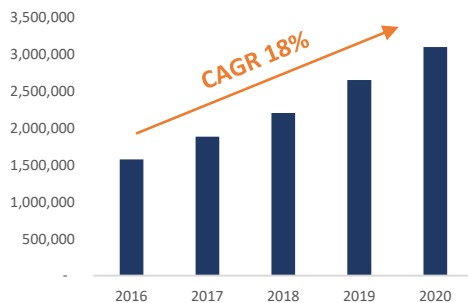
Source: World Bank Report

Technological Spendings



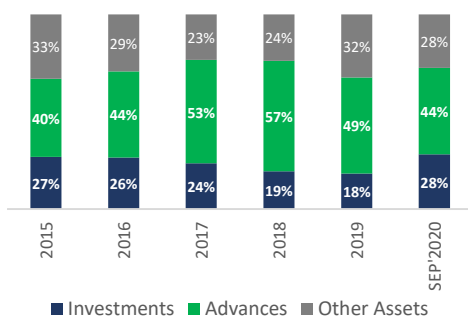
Source: Company Accounts

Islamic Banking Deposit Growth



Source: Islamic Banking Bulletin

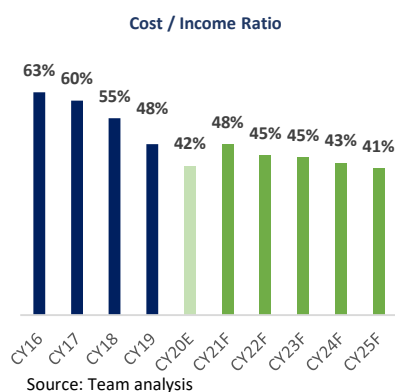
Islamic Banking Asset Composition



Source: SBP Islamic Banking Bulletin

Competitive Positioning:

Competitive Positioning -Sep 2020	MEBL	Top 5 Bank	Islamic Bank (Full Fledged)*
Deposit Growth 5Yr CAGR	19.3%	10.8%	13.2%
Asset Growth 5 Yr CAGR	21.3%	10.0%	20.6%
Net Interest/ Profit Growth (YoY)	50.0%	-18.5%	23.9%
Profit After Taxation Growth (YoY)	69.5%	15.3%	116.7%
ADR	44.9%	39.3%	68.8%
IDR	33.6%	67.6%	28.8%
Infection Ratio	2.12%	10.75%	5.91%
Coverage	140.1%	95.5%	49.5%
Operating Cost per Branch (000)	27,779	16,575	20,267
Operating Cost per Employee (000)	1,913	1,532	1,910
NIMS	4.31%	2.03%	3.41%
CAR	23.1%	21.5%	15.9%
NOTE*: Full Fledged Islamic banks excluding MEBL			
Source: Team Data Miners			



Comparing the operating metrics of MEBL with top 5 banks and also other Islamic banks, we highlight the following factors that differentiate Meezan from its competitors:

- Deposit growth has been stronger than both top banks and other Islamic banks due to high brand value and customers' preference.
- High capital adequacy ratio compared to other Islamic banks– Meezan has a 23% CAR ratio compared to 16% for other Islamic banks, but in line with 22% for top 5 banks.
- NIMs are strong compared to top 5 banks, mainly due to presence of MDR and high bargaining power.
- The NPL coverage ratio is significantly high at 140.2% compared to 96% for top 5 banks and about 50% for other Islamic banks.
- On the negative side, operating costs are higher as both operating cost per branch and per employee are higher than industry averages.

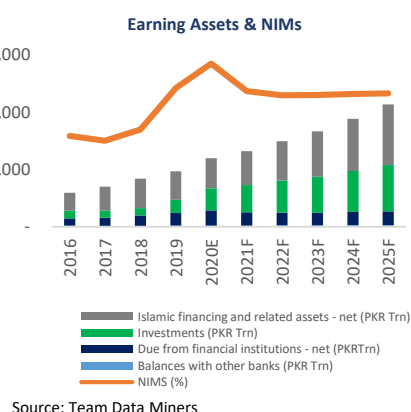
INVESTMENT SUMMARY

Strong yet sustainable profitability: We expect MEBL to continue to sustain a robust ROE in the band of 20-26% (24.6% in CY21) over the next 5 years. High profitability will mainly be the function of i) sustainable net interest margins and ii) well maintained asset quality.

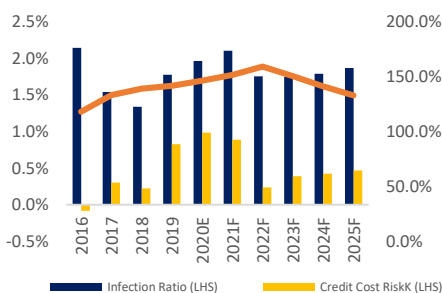
- **Sustainable net interest margins:** We expect interest margins of the bank to remain at 4.6% in 2022, though these are slightly lower compared to 2020 due to temporary push in earnings from dip in deposit costs. However, NIMs would remain above industry levels and support strong profitability.
- **Improving operating cost efficiency:** Cost to income ratio of the bank has a room for improvement, as its staff cost and branch cost are relatively higher than industry. Technological expenses are also higher, but we think that is a positive area. We expect cost to income ratio of the bank to reduce to 42.9% by 2024 compared to 48.2% in 2019.

Technological investment positioning the bank well for next leg of growth: MEBL has been actively investing in technological advancements and we believe the management realises the importance of technology in the financial services industry, this would allow banks to maintain or even increase its market share and also reduce the operating costs. We highlight key areas of MEBL strong performance on technology front:

- **Growing investment in technology:** Technological expenses of the bank have grown at a rate of 37.6% in 2019 and 14.0% in 9M'2020 YoY, which is higher than industry average.

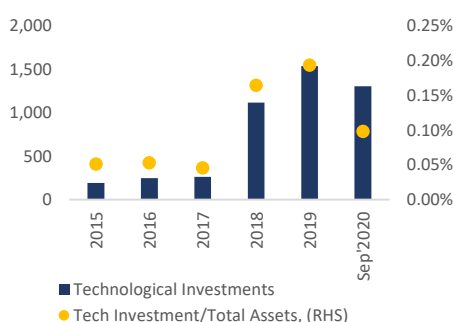


MEBL Asset Quality



Source: Company Accounts, Team Data Miners

MEBL's Tech Investment



Source: Company Accounts

- **Innovating and partnering actively:** MEBL has partnered with FonePay, Foree and NayaPay to facilitate customer's payment activity. Moreover, MEBL is the first one to introduce Near Field Communication (NFC) enabled debit cards.
- **Strong quality of tech:** MEBL stands at the top with 4.9 rating when comparing app quality ratings at Playstore with its peers.
- **Focus on provide safety and secure products:** MEBL focuses to fulfill the safety needs of customers and for that bank has implemented a security measure called "SkimGuard" because the debit card fraud threat at ATMs through skimming is now common.

Impeccable and fortified loan book: MEBL being the most active Islamic lender with the advance portfolio of 525bn has exhibited exceptional asset quality by having a low NPLs ratio of 2% and a very high provision coverage of 141%. We expect MEBL to continue its cautious lending approach among commercial and corporate clientele to maintain the NPL ratio of c. of 2% over the next 5 years.

Investment avenues likely to grow further: We expect that recent increase in the supply of government sukus will be sustained due to high circular debt and recurring fiscal deficits. MEBL being the leader in Islamic Banking will be a key beneficiary of this and we expect its IDR will remain at 40% in the long-term compared to 24.6% in 2019 and 34.3% in 2020E.

Trading at premium valuations, but justifiably so: Investors are usually concerned about the premium valuation of MEBL compared to its peers as the bank is currently trading at a P/B of 2.1x compared to top 5 banks valuation multiple of 0.9x. However, we argue that this is justified given the superior ROE profile of the bank where the 9M 2020 ROE stands at 24.8% compared to 8.6% for peers. We also look at the leading Islamic banks with high ROE profile globally, and found many of them to be trading at premium; for example, Al Rajhi in Saudi Arabia is trading at a PB of 3.4x and Kuwait Finance House trading at 2.6x

Valuation

Single-factor model (Capital Asset Pricing Model) has been wielded in order to determine the cost of equity with an assumption of required rate of return, and cost of equity being equivalent. The current 10 Year PIB yield of 10% is considered. Moreover, equity premium is assumed at 7% which is higher due to the adjustment of emerging market risks consideration. Terminal growth is assumed at 10% considering the long term assumption of M2 growth and associated growth in deposit base. The sustainable ROE 24.78% is an average of CY21F to CY2025F, and Beta was calculated using 5 year historical prices of MEBL and KSE-100.

Using the above mentioned assumptions, we apply 3 valuation methodologies for MEBL. 1) Justified P/B, showing association between fundamentals and P/B of the bank, 2) Dividend discount model, allocation of positive cash flows to the shareholders and 3) Relative PE valuation, comparing firm's financial worth with its peers. We apply a 50% weight to justified PB as we think this is the most reliable method of assuming the banks value as it takes into account future growth profitability prospects. We apply 25% weight to each of DDM and relative PE valuation due to its shortcomings.

Justified P/B: The mechanism of justified P/B better reflects the company's fundamentals, giving higher price with higher spread between ROE and Growth or vice versa. Furthermore, it is considered to be the most appropriate way of valuing financial services firms because Assets and Liabilities are constantly treasured at market values. We arrived at a price of Rs.184.62 by multiplying Justified P/B of 2.32x, with the BVPS in CY25 of Rs.121.53 and then discounting it 4 years back with the cost of equity of 16.36% to eliminate the effect of time value. It was given a weight of 50%, higher among all the other methods as book value is a better reflector of management's decision-making efficiency.

Dividend discount model (DDM): The DDM method is relevant to the financial institutions given its stringent regulatory capital requirements. With the DDM method, we have arrived at a target price of Rs.134.36. The CY21 forecast for the DPS is projected to be Rs.7/share based on the consistent stable stream of dividend payout of 40% in the subsequent years. The terminal growth of 10%, based on the Nominal GDP, and cost of equity of 16.36% are discounted back to the base year 2020 to get the final target price. We have applied a 25% weight to this valuation methodology,

Valuation Assumptions

Risk-free rate	10.00%
Equity Premium	7.00%
Beta	0.91
Cost of equity	16.36%
Terminal Growth	10.00%
Sustainable ROE	24.78%

Source: Team Data Miners

Weighted Average Target Price

Methodologies	Price	Weights	Weighted Price
Justified P/B	184.62	50%	92.31
DDM	134.36	25%	33.59
Relative P/E	120.06	25%	30.02
Target Price			155.92

Justified P/B

Justified P/B (ROE-G)/(RRR-G)	2.32
BVPS'25	121.53
Fair Price	282.32
Price	153.99
PV of Dividends	30.64
Share Price	184.62

Source: Team Data Miners

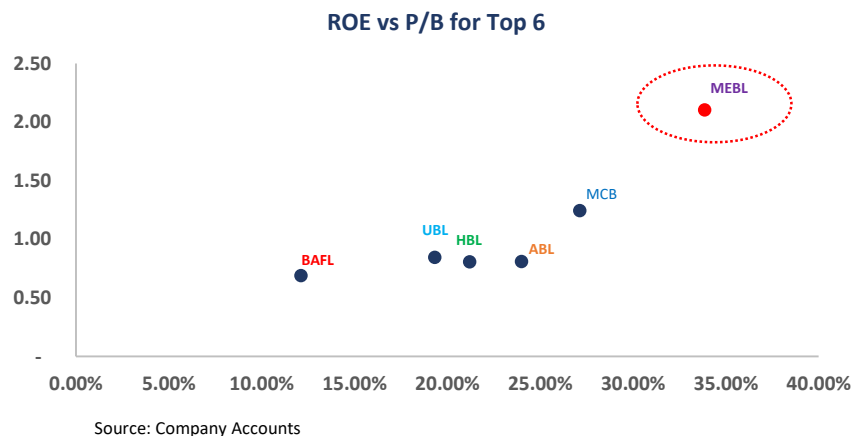
because we think it is excessively focused on company's dividend paying policy and does not adequately takes into account the management efficiency and growth prospects.

	2021F	2022F	2023F	2024F	2025F
DPS	7.00	7.00	8.00	9.00	11.00
PV of DPS	7.00	6.02	5.91	5.71	6.00
Terminal Value					103.72
Sum of PV	7.00	6.02	5.91	5.71	109.72
Share price	134.36				
Source: Team Data Miners					

Relative valuation: We have also used a relative valuation methodology to take in to account the investors perspective on valuing other banking sector stocks. In order to come up with the Relative PER valuation, we came up with 10 year average P/E of Top 5 Banks which is 8.26x (Weighted based on the Market Cap) and multiplied it with the CY21F EPS of Rs.14.53 to arrive at Rs.120. MEBL is growing at a faster pace than these banks, but the PER valuation doesn't take this into consideration and hence, shows a low expected upside. We believe that MEBL should trade at a higher P/E considering its superior growth and ROE which justifies the willingness of investors to pay a premium price for the equity exposure. Considering the shortcomings, we have just applied a 25% weight to this methodology.

POTENTIAL PEERS	MARKET CAP (Mn)	WEIGHTS	TRAILING P/E	10 YR AVG P/E
Habib Bank Limited	197,996	26%	5.94	7.82
Muslim Commercial Bank	229,831	31%	7.37	10.17
United Bank Limited	159,339	21%	7.44	8.20
Allied Bank Limited	97,331	13%	5.77	6.52
Bank Alfalah	62,769	8%	5.66	5.53
Weighted Average			6.65	8.26
FY'21 EPS				14.53
PER Based Valuation				120.06
Source: PSX, Company Accounts and Team Data Miners				

MEBL scans well on ROE and P/B metrics: In contrast to its peers, currently MEBL's higher P/B of 2.1x is rationalized considering the higher ROE of 33.9% (Annualized ROE of sept'20).



Terminal Growth Rate (%)		13.00%	14.00%	15.00%	17.00%	18.00%	19.00%
	8.00%	215.87	183.87	161.07	130.83	120.30	111.73
	8.50%	229.86	192.56	166.80	133.6	122.30	113.19
	9.00%	247.35	202.98	173.47	136.72	124.53	114.80
	9.50%	269.84	215.73	181.36	140.25	127.01	116.58
	10.00%	299.82	231.66	190.83	144.29	129.80	118.56
	10.50%	341.80	252.14	202.4	148.95	132.97	120.72

Financial Analysis

	2019	2020E	2021F	2022F	2023F
EPS	12.12	16.97	14.53	17.97	19.91
Revenues					
NII margin on interest earning-assets	4.8%	5.7%	4.7%	4.6%	4.6%
ROE	29.3%	33.8%	24.6%	26.4%	24.6%
ROA	1.5%	1.9%	1.4%	1.6%	1.6%
Credit Risk					
NPL Infection	1.8%	2.0%	2.1%	1.8%	1.7%
NPL Coverage	141.6%	146.2%	151.6%	159.1%	150.4%
Efficiency Ratio					
Cost/income	48.2%	42.0%	48.1%	45.0%	44.5%
Balanced Sheet Structure					
Advances/Deposits (ADR)	52.9%	47.2%	48.0%	49.1%	50.2%
Investment/Deposit (IDR)	24.6%	34.3%	38.0%	40.0%	40.0%
CASA	72.7%	72.7%	72.7%	72.7%	72.7%
Capital Strength					
Capital Adequacy Ratio (CAR)	17.2%	18.7%	17.5%	17.1%	16.7%
Growth					
Total assets	19.6%	20.3%	10.4%	13.3%	12.5%
Revenues	48.2%	37.2%	-6.0%	16.4%	9.8%
Earnings	72.8%	53.5%	-14.2%	23.6%	10.7%
Advances	-3.7%	6.5%	13.0%	15.5%	15.0%

Source: Team Data Miners

From rapid to moderate growth in revenues: Considering the rapid growth in assets at CAGR 19.5% (from CY16 to CY20E) due to high deposits mobilization at CAGR 18.6% (from CY16 to CY20E), we expect a moderate growth of assets and deposits at CAGR 12.9% and 13.0% from CY21 onwards. This is mainly because MEBL's balance sheet is already very large in size and its widespread geographical network in 242 cities indicates the commitment towards domestic growth. It already covers the major hubs thus, moving towards urban region will result in diminishing growth rates.

Clean loan book: Although there are tremendous opportunities in SMEs, MSME and Individuals lending, we expect MEBL to continue cautious lending approach among commercial and corporate clientele that will consolidate MEBL firm position in the Industry with lowest Infection (2% from CY 20E-25F). Along with that, MEBL's NPL coverage will grow due to extensive general provisioning that will not only mitigate IFRS9 implementation risks but also give cushion to MEBL's ability to cope with systematic risk (Covid'19, economic crisis)

MEBL's income safeguarding its expenses: The cost to income ratio has improved to 48% & 42% in CY19 & CY20E from 63% in CY16 which indicates that company is achieving more efficiency during the period despite the increase in operating expenses. During the period CY16 to CY19, MEBL's income has increased by a greater margin as compare to the increase in operating expenses. However, we predict that CY21 could upset the relative stability of cost to income ratio seen last year and this ratio will slightly increase, as bank may face markedly higher costs amid COVID'19 pandemic than the rise in its income. But 2021 onwards this ratio will improve again as the increasing branch network of MEBL will have the positive impact on the income due to increase in profitability.

Investments likely to pursue growth trajectory: We expect that recent increase in government sukuks will be sustained and MEBL being the leader in Islamic Banking will be the utmost beneficiary as it's IDR will increase to the range of 38% to 40% from 2021E-2025F. Issuing sukuks will immensely benefit the government as they can rise liquidity on lower rates in comparison with PIBs. Moreover, MEBL will better utilize its excess liquidity and earn better yields without comprising on CAR.

MEBL'S enduring ADR: Although the ADR will have Covid'19 and increasing Investments impact in 2020E but we expect sustainable growth in ADRs from CY 2020E- 2025F attributable to MEBL's conscience lending policy with low infection coupled with strong CAR positioning that will enable lending in profitable avenue without comprising regulatory requirements.

Resolute CASA to sustain low cost of deposits: We expect CASA Ratio to sustain its position at 73% from CY 2020E to CY 2025F at the back of stable Individual- Corporate Deposits Mix along with MEBL's extensive branch expansion program to target individual customers' deposit. We expect Individuals and Corporate Deposit to increase but the Mix is unlikely to be changed.

CAR above the minimum requirement ensures consistent growth: MEBL CAR for the CY'20 stands at 19%, above the SBP minimum capital requirement of 12.5%. This comes at the back of issuance of TIER II Subordinated sukuk of Rs.4000 million during the year, and sharp decline in the risk weighted assets, majorly contributed by the bank de-risking initiatives. With our estimates, we expect the bank to maintain the increasing capital base trend, guaranteeing sustainable earnings and payouts. We see MEBL to remain optimistic at its dividend payout of 40%, and continued support to maintain the growth momentum going forward.

Growth:

- **Total Assets:** MEBL is having a stable growth in going forward because it has now reached at a maturity level of growth and expansion. Moreover, we are expecting a growth in total assets after 2021 because of increased investment avenues and new financing products provided by GOP, such as Pak Energy sukuks and Naya Pakistan Housing Scheme, respectively.
- **Revenues:** We are expecting the revenues to decline in 2021 as soon as the policy rates would get back on the track when the economy would be recovering from COVID-19 effects. But 2021 onwards, revenues would bounce back to normality.
- **Deposits:** The deposits have increased by 19ppts and 20ppts in 2019 and 2020 respectively, due to Naya Pakistan Certificate scheme. But we expect this growth to maintain stability at 13% after 2021 onwards because of maturity of this new scheme.

Investment Risks

R1-Unexpected movement of the benchmark rate: Pakistan being an emerging economy faces challenges like trade and current account imbalances. Thus, it is more susceptible to fluctuations in policy rates that might possess a significant threat to MEBL. As Monetary tightening can [1] Increase NPLs [2] Reduce demand for Advances considering MEBL's ADR is 46%, it can hamper earnings of the Bank. [3] Increase return expectation of depositors if not catered will lead to diminishing deposits. On the contrary, Monetary Easing can make Banks' previous borrowings become expensive and that would cause NIMs to contract. Moreover, Deposit mobilization will not be swift, as depositors will be inclined to invest their investment elsewhere

R2-Regulatory/Compliance Risk: Banking is one the most regulated sector in the world. The stringent regulation of SBP, International watchdogs and supervisory bodies like World Bank, IMF and FATF possess risk of regulatory non-compliance. Although on a national level the regulatory authorities are collaborating with FATF to address the concerns related to counter terrorist financing, anti-money laundering, trade based money laundering and proliferation financing but the looming risk of sanctions or ending into blacklist in case of non-compliance or inaction on FATF recommendations can bring implications for domestic banks.

R3-Default risk on principal and profit payment: The biggest risk for bank is the credit risk that can occur when the borrowers or counterparties of MEBL fails to fulfill contractual obligations. Default can arise from both contingent liabilities as well as direct financing. With the prevailing pandemic situation wherein many economies have announced going into recession such as US, UK, Canada, Norway, Finland, Austria and many other countries, it would not be an unrealistic concern to underpin the increased risk of default on principal or interest payment of loans payable corporate as well as individual customers.

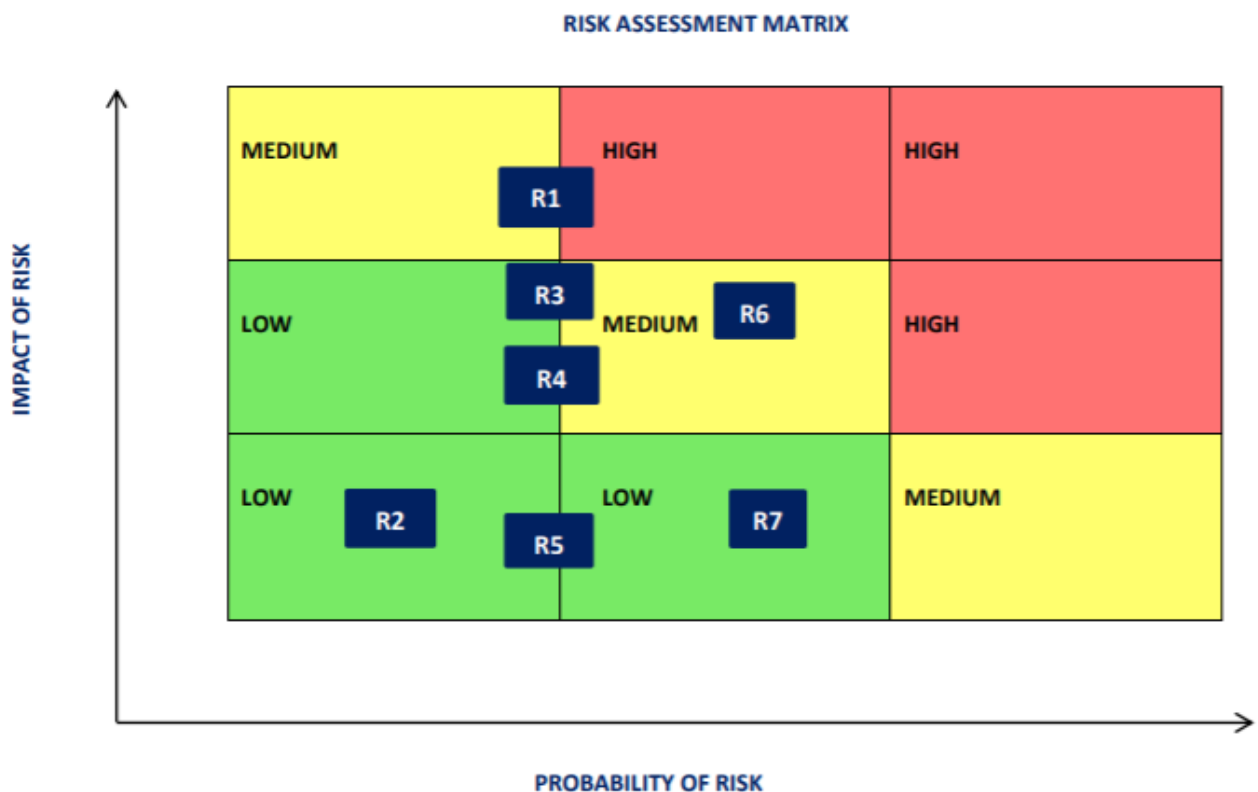
R4-Insufficient supply of shariah compliant investment instrument: Although improvement can be seen in investment avenues but in comparison with Conventional Banks it is far behind. As of now, there are very few sukuk bonds in the market as compared to T-Bills and PIBs. In order to effectively utilize its excess liquidity, Islamic Banks are exploring for any opportunity to invest in Government backed sukuks to take advantage from better and secured yields. (PIBs and sukuks Comparison graph).

Sensitivity of Policy Rate		
Policy Rate (%)	FY21 EPS	Target Price
Base Case+200bps	18.75	201.88
Base Case +100bps	16.64	171.23
Base Case	14.53	155.92
Base Case-100bps	12.42	118.79
Base Case-100bps	10.30	90.75
Source: Team Analysis		

R5-Shariah non-compliance risk: The Shariah Board and Compliance Department has strict vigilance and control upon Banks' offering. The Shariah Board rejection of new products may take a considerable amount of time and resources of the Bank. Moreover, if a product after being launched is found to be Non-Shariah compliant, it can have adverse repercussions upon MEBL's reputation and brand image.

R6-Implementation of IFRS 9: There are two impacts of IFRS9, one is recurring impact in which bank has to book provision with every loan and this will result in increase in the overall provisions which may lead to decline in bank's profitability. Although, the bank's asset quality will improve but profitability will decline because provisions are treated as expense by banks. Another impact is one-off impact in which banks will have to book one time at implementation on the outstanding loan book. This will reduce the equity that will directly impact the book value and CAR ratio of bank.

R7-Risk of being included as domestically strategic bank: The Industry leader Banks in terms of deposits holds strategic importance for the economy. The SBP declared HBL, NBP and UBL as domestically strategic banks. D-SIBs are subject to enhanced supervisory requirements and following higher capital surcharge in the form of additional common equity tier-1 capital (CET-1). With the exceptional growth of MEBL it can be placed among DSIBs in the future outlook. Thus, MEBL will have to maintain higher CAR which will discourage advances in the future.



Board Composition



Source: Company Data

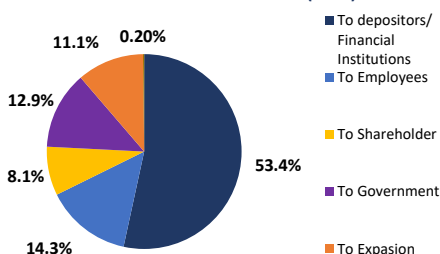
Board of Directors	
Directors	Roles
Mr. Riyadh S.A.A Edrees	Chairman
Mr. Faisal A.A.A Al Nassar	Vice Chairman
Mr. Badar H.A.M.A Al Rabiah	Director
Mr. Mubashar Maqbool	Director
Mr. Basil Y.A.Y.R AlBader	Director
Mr.Saad Fazil Abbasi	Director
Mr. Mohamed Guerhazi	Director
Mr. Noorur Rahman Abid	Director
Ms. Nausheen Ahmad	Director
Mr. Atif Azim	Director
Mr. Irfan Siddiqui	President & CEO

Source: Company Accounts

Shariah Supervisory Board	
Directors	Roles
Justice Retd. Muhammad Taqi Usmani	Chairman
Dr. Muhammad Imran Ashraf Usmani	Vice-Chairman
Sheikh Esam Muhammad Ishaq	Member
Mufti Muhammad Naveed Alam	Resident Member

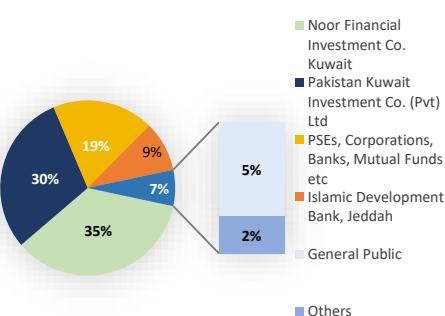
Source: Company Accounts

MEBL value distribution (2019)



Source: Company Accounts

Structure of shareholding



Source: Company Accounts

Environmental, Social and Governance

Corporate Governance: Good corporate governance is an important function that impacts the long-term corporate performance positively and also gives confidence to investors. Therefore, MEBL strictly adheres about the implementation of governance practices. MEBL, through its system ensures that it is fully compliant with all the legal requirements. The Bank ensures maximum returns and satisfaction to shareholders by following practices like building a qualified board of directors and evaluates performance, define roles and responsibilities, emphasizes integrity and ethical dealing, formation of various board of committees and engage in ethical risk management. The Board Committees of MEBL includes Board Human Resource & Remuneration Committee, Board Risk Management Committee, Board Audit Committee, Board Information Technology Committee. The board includes 1 executive director, 3 independent directors and 7 non-executive directors. Also, the Shariah Supervisory Board Members of MEBL consists of highly qualified scholars that facilitate the successful implementation of the Islamic Banking Model.

Corporate Social Responsibility: Several CSR activities have been undertaken by the bank with an objective to contribute as a responsible corporate citizen and to add value in which the Bank is operating. MEBL has focused on the areas of education, healthcare, social and environmental sustainability and has collaborated with organizations like The Citizen Foundation, Idara Al-Khair Welfare Society, LIFE School, Centres for Excellence in Islamic Financing at IBA & LUMS, The Indus Hospital, Aga Khan University Hospital. MEBL is also collecting donations for Diamer-Bhasha and Mohmand Dams through its nationwide branches. Bank focuses in creating awareness about the prohibition of Rida and how other available alternatives can be used.

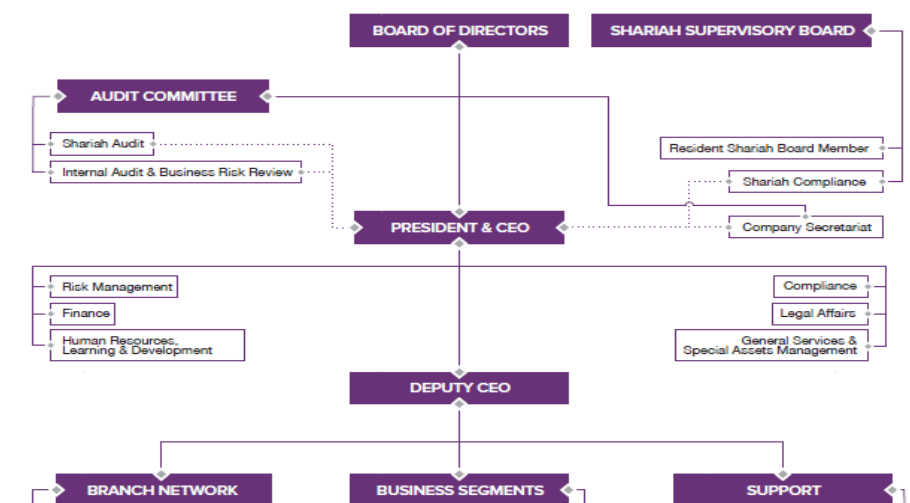
Bank is also playing great role in supporting Small & Medium size businesses, MEBL has partnered with Karandaaz Pakistan to support SME's.

Meezan is also very active in housing financing and is expected to be a key player in Naya Pakistan Housing Scheme, promoting the low-cost housing in Pakistan and benefiting the masses.

MEBL has also prepared the Green Banking Policy in the light of the Green Banking Guidance issued by State Bank of Pakistan. By this, bank can institutionalize Green Banking across by focusing on some major aspects such as governance structure & responsibilities, organizational structure, environmental risk management framework and in-house environment management.

MEBL has been recognized as the "Best Bank of the Year" and "Best Islamic Bank of the year by CFA Society of Pakistan on the basis of overall industry, competing with some of the largest local and conventional players.

Shareholding Structure: At the beginning of the year 2019, the company had 1,286,111,622 shares outstanding. These shares are held by different groups. Noor Financial Investment Co. of Kuwait is the largest shareholder of the bank, holding 35.25% of total shares. And the second highest shareholder is Pakistan Kuwait Investment Company with 30% holding.



Source: Company Accounts

Appendices:

Appendix 1: Assumptions

KEY ASSUMPTIONS	2019	2020E	2021F	2022F	2023F	2024F	2025F
M2	18,715,781	21,700,047	23,826,652	26,519,063	29,436,160	32,821,319	36,595,770
% Change	13%	16%	10%	11%	11%	12%	12%
Scheduled Bank Deposits	14,631,875	16,757,034	18,322,561	20,326,601	22,484,989	24,992,116	27,778,793
% Change	10%	15%	9%	11%	11%	11%	11%
Islamic Bank Deposits	2,652,000	3,100,604	3,445,246	3,883,051	4,362,829	4,924,271	5,556,675
% Change	20%	17%	11%	13%	12%	13%	13%
Meezan Bank Deposits	932,569	1,114,669	1,239,121	1,397,439	1,572,499	1,778,691	2,017,829
% Change	19%	20%	11%	13%	13%	13%	13%
Number of Branches	760	802	826	851	876	903	930
% Change	15%	6%	3%	3%	3%	3%	3%
Number of Staff	11,649	11,823	12,178	12,543	12,920	13,307	13,706
% Change	16%	1%	3%	3%	3%	3%	3%
Share of IBIs in Scheduled Bank Deposits	18%	19%	19%	19%	19%	20%	20%
% Change	2%	0%	0%	0%	0%	0%	0%
Share of Meezan Bank in IBIs	35%	36%	36%	36%	36%	36%	36%
% Change	-0.49%	0.79%	0.02%	0.02%	0.05%	0.08%	0.19%
RATES							
KIBOR	12.42%	9.50%	8.50%	9.00%	9.00%	9.00%	9.00%
Policy Rate	12.02%	9.00%	8.00%	8.50%	8.50%	8.50%	8.50%
Spread over Policy Rate	0.40%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
LIBOR	2.00%	0.99%	1.19%	1.39%	1.46%	1.45%	1.38%
Inflation	10.58%	10.70%	8.80%	7.30%	6.50%	6.50%	6.50%
GDP Growth Rate	0.99%	-0.40%	1.00%	4.00%	4.50%	5.00%	5.00%
Nominal GDP Growth Rate	-	10.30%	9.80%	11.30%	11.00%	11.50%	11.50%
PARTICULARS OF BALANCE SHEET AS % OF DEPOSITS							
ASSETS							
Cash Balance / Deposits	9.89%	8.53%	8.94%	8.67%	9.36%	9.69%	9.88%
Balances with other Banks / Deposits	1.65%	1.44%	1.17%	1.31%	1.38%	1.32%	1.29%
Due from FI / Deposits	23.99%	24.00%	19.00%	16.00%	14.00%	13.00%	12.00%
Investment / Deposits	24.63%	34.34%	38.00%	40.00%	40.00%	40.00%	40.00%
Gross Islamic Financing / Deposits	54.31%	48.56%	49.53%	50.53%	51.54%	52.57%	53.62%
Fixed Assets / Deposits	2.54%	2.13%	2.01%	2.07%	2.17%	2.09%	2.08%
Other Assets / Deposits	5.03%	3.83%	3.50%	3.98%	4.05%	3.84%	3.84%
LIABILITIES							
Bills Payable / Deposits	1.84%	2.24%	2.13%	2.27%	2.12%	2.19%	2.18%
Due to Financial Institutions / Deposits	4.51%	5.53%	5.14%	5.04%	4.96%	5.02%	5.13%
Other Liabilities / Deposits	5.85%	5.04%	4.51%	5.05%	5.09%	4.92%	4.89%
PROFIT/RETURN ON ISLAMIC FINANCING, INVESTMENTS AND DEPOSITS							
Yield on Islamic Financing	11.09%	9.62%	8.25%	8.25%	8.25%	8.25%	8.25%
Yield on Investment	9.67%	7.63%	7.00%	7.75%	7.75%	7.75%	7.75%
Yield on Deposits / Lending to FI	7.25%	10.49%	8.50%	7.75%	7.75%	7.75%	7.75%
PROFIT ON DEPOSITS AND OTHER DUES EXPENSED							
Cost of Deposits / (Fixed + Saving + Remunerative FI)	7.37%	5.26%	4.66%	5.16%	5.16%	5.16%	5.16%
Subordinated Debt	12.81%	12.36%	10.86%	11.36%	11.36%	11.36%	11.36%
Amortization as % of Right of use assets	13.70%	13.75%	13.72%	13.73%	13.73%	13.73%	13.73%
Spread on Deposits	-5.05%	-4.24%	-3.84%	-3.84%	-3.84%	-3.84%	-3.84%
Spread on Subordinated Debt	0.39%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%
CAPITAL ADEQUACY RATIO							
CET 1	82.12%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%
Credit RWA	69.44%	69.44%	69.44%	69.44%	69.44%	69.44%	69.44%
Market RWA	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%
Operational RWA (Growth)	35.39%	22.54%	21.29%	23.92%	25.25%	23.20%	23.37%

Source: Company accounts, Team Data Miners

Appendix 2: Consolidated Profit & Loss Account

PKR Million	2015	2016	2017	2018	2019	2020E	2021F	2022F	2023F	2024F	2025F
PROFIT & LOSS											
Profit / return earned on Islamic financing & investments	33,114	31,430	36,095	48,629	94,279	109,531	103,226	118,692	132,597	150,075	170,383
Profit on deposits and other dues expensed	14,897	12,872	15,271	20,453	47,746	41,809	41,107	50,590	56,486	63,374	71,454
Net spread earned - before provisions	18,217	18,558	20,824	28,176	46,533	67,722	62,119	68,102	76,111	86,701	98,929
Provisions	622	(259)	1,307	1,168	4,186	5,320	5,464	1,667	3,172	3,972	5,049
Net spread earned	17,594	18,817	19,517	27,008	42,346	62,401	56,656	66,434	72,939	82,730	93,881
OTHER INCOME											
Fees & Commission Income	1,987	3,942	6,030	6,823	7,427	6,725	8,346	9,653	10,812	12,109	13,562
Dividend Income	629	345	288	242	276	263	263	265	270	267	266
Foreign Exchange Income (Loss) / gain on securities - net	1,471	1,208	1,140	1,318	2,684	1,830	2,013	2,215	2,436	2,680	2,948
Unrealized gain / loss on held for trading investments	342	1,012	939	(39)	(429)	(428)	211	51	(127)	(144)	(87)
Other Income	-	-	(2)	-	-	-	-	-	-	-	-
Total Other Income	167	357	411	313	536	592	702	791	865	966	1,061
Total income	4,597	6,865	8,806	8,658	10,495	10,114	11,536	12,975	14,256	15,879	17,749
OTHER EXPENSES											
Operating expenses	13,561	16,115	17,126	19,787	25,454	30,439	32,824	35,710	38,804	42,269	46,046
Workers Welfare Fund	175	212	291	384	628	947	707	874	968	1,127	1,311
Other charges	4	4	11	16	82	85	9	9	9	9	9
Total other expenses	13,740	16,331	17,427	20,187	26,165	31,471	33,540	36,592	39,780	43,404	47,366
Share of results associates before taxation	-	1,166	(963)	(298)	301	-	-	-	-	-	-
Extra ordinary / unusual items	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	8,451	10,517	9,933	15,180	26,978	41,044	34,652	42,817	47,415	55,204	64,263
Taxation	3,429	3,915	4,153	6,046	11,198	16,825	13,861	17,127	18,966	22,082	25,705
Profit after Taxation	5,023	6,602	5,780	9,134	15,780	24,219	20,791	25,690	28,449	33,122	38,558
Share of profit attributable to non-controlling interest	-	(421)	(161)	(176)	(195)	(215)	(237)	(261)	(287)	(316)	(349)
Profit attributable to shareholders	5,023	6,182	5,619	8,957	15,584	24,005	20,555	25,429	28,162	32,806	38,209
EPS (Earning Per Share)	5.0	6.2	5.3	7.7	12.1	17.0	14.5	18.0	19.9	23.2	27.0
DPS (Dividend Per Share)	3.0	3.0	3.0	3.5	5.0	8.0	7.0	7.0	8.0	9.0	11.0
Dividends Declared	3,008	3,008	3,189	4,092	6,431	11,318	9,903	9,903	11,318	12,733	15,562
Payout In %	60%	49%	57%	46%	41%	47%	45%	40%	40%	40%	40%
Shares Outstanding (In Million)	1,003	1,003	1,063	1,169	1,286	1,415	1,415	1,415	1,415	1,415	1,415
Variation (Shares Outstanding) In %	0%	0%	6%	10%	10%	10%	0%	0%	0%	0%	0%

Source: Company accounts, Team Data Miners

Appendix 3: Statement of Financial Position

PKR Million	2015	2016	2017	2018	2019	2020E	2021F	2022F	2023F	2024F	2025F
BALANCE SHEET											
ASSETS											
Cash & balances with treasury banks	43,686	56,037	64,556	65,022	92,194	95,130	110,752	121,192	147,115	172,429	199,363
Balances with other banks	11,175	12,068	4,940	8,277	15,415	16,094	14,443	18,285	21,720	23,489	26,060
Due from financial institutions - net	170,474	129,115	147,229	184,815	223,689	267,520	235,436	223,594	220,154	231,235	242,145
Investments Islamic financing and related assets - net	76,910	134,797	123,161	127,115	229,667	382,749	470,866	558,976	629,000	711,476	807,132
Fixed assets	207,569	311,530	419,929	512,565	493,775	525,778	594,247	686,372	789,143	911,450	1,055,088
Intangible Assets	8,057	9,032	11,995	13,228	23,664	23,706	24,857	28,876	34,198	37,219	42,053
Deferred tax assets	-	-	-	645	801	1,063	1,343	1,625	1,898	2,154	2,385
Other assets	-	-	-	868	-	-	-	-	-	-	-
Total Assets	531,850	663,268	785,967	941,751	1,126,115	1,354,738	1,495,361	1,694,551	1,906,899	2,157,668	2,451,636
LIABILITIES											
Bills payable	6,560	9,131	11,168	23,751	17,187	25,024	26,448	31,767	33,285	38,976	43,950
Due to financial institutions	13,610	32,006	36,813	36,408	42,047	61,596	68,474	71,814	79,223	88,153	101,352
Deposits & other accounts	471,821	564,000	673,180	785,445	932,569	1,114,656	1,239,121	1,397,439	1,572,499	1,778,691	2,017,829
Subordinated Sukuk	-	7,000	7,000	14,000	14,000	18,000	18,000	18,000	18,000	18,000	18,000
Deferred tax liabilities	393	1,955	231	-	3,008	-	-	-	-	-	-
Other liabilities	13,119	14,404	19,165	38,572	54,523	56,175	55,824	70,611	80,025	87,433	98,571
Total liabilities	505,503	628,495	747,558	898,174	1,063,334	1,275,452	1,407,867	1,589,630	1,783,032	2,011,252	2,279,702
NET ASSETS (TA - TL)	26,347	34,773	38,410	43,577	62,781	79,287	87,494	104,921	123,867	146,416	171,934
REPRESENTED BY											
Share capital	10,027	10,027	10,629	11,692	12,861	14,147	14,147	14,147	14,147	14,147	14,147
Reserves	8,587	9,724	13,393	15,186	18,232	23,123	21,971	23,872	25,974	28,449	31,321
Unappropriated Profit	6,942	11,341	12,563	15,739	21,117	34,094	44,745	60,272	77,116	97,189	119,836
Surplus/(deficit) on revaluation of assets	790	2,459	816	(46)	9,401	6,630	6,630	6,630	6,630	6,630	6,630
Total equity	26,347	33,551	37,402	42,571	61,611	77,994	87,494	104,921	123,867	146,416	171,934
Non-Controlling Interest	-	1,222	1,008	1,006	1,170	1,292	-	-	-	-	-
NET EQUITY	26,347	34,773	38,410	43,577	62,781	79,287	87,494	104,921	123,867	146,416	171,934

Source: Company accounts, Team Data Miners

Appendix 4: Ratios

Amounts in PKR Million		2015	2016	2017	2018	2019	2020E	2021F	2022F	2023F	2024F	2025F
REVENUES												
NII margin on interest-earning assets	%	3.9%	3.2%	3.0%	3.4%	4.8%	5.7%	4.7%	4.6%	4.6%	4.6%	4.6%
Gross asset yield	%	7.1%	5.3%	5.2%	5.8%	9.8%	9.2%	7.8%	8.0%	8.0%	8.0%	8.0%
Gross funding cost	%	3.2%	2.2%	2.2%	2.5%	5.0%	3.5%	3.1%	3.4%	3.4%	3.4%	3.4%
Investment yield	%	8.6%	7.0%	4.9%	5.4%	9.7%	7.6%	7.0%	7.8%	7.8%	7.8%	7.8%
Loan yield	%	6.6%	5.0%	5.1%	5.9%	11.1%	9.6%	8.3%	8.3%	8.3%	8.3%	8.3%
Customer deposits cost	%	4.5%	3.2%	3.1%	3.7%	7.4%	5.3%	4.7%	5.2%	5.2%	5.2%	5.2%
Debt securities cost	%	-	0.0%	0.0%	6.1%	12.8%	12.4%	10.9%	11.4%	11.4%	11.4%	11.4%
Fees/ revenues	%	9.0%	15.4%	21.3%	19.1%	14.1%	9.3%	12.2%	12.2%	12.4%	12.3%	12.1%
Fees/ assets	%	0.4%	0.6%	0.8%	0.7%	0.7%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%
Total revenues/ assets	%	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Total revenues/ employee	PKR	2.6	2.8	3.0	3.5	4.5	6.1	5.6	6.3	6.7	7.4	8.1
Total revenues/ branch	PKR	40.3	45.0	47.1	54.0	69.5	90.4	82.6	93.3	99.5	109.2	120.1
EFFICIENCY												
Cost/ income	%	61.1%	62.8%	60.5%	55.5%	48.2%	42.0%	48.1%	45.0%	44.5%	42.9%	41.2%
Cost/ assets	%	2.5%	2.4%	2.2%	2.1%	2.3%	2.2%	2.2%	2.1%	2.0%	2.0%	1.9%
Staff costs/Employee	PKR	0.8	0.9	0.9	1.1	1.2	1.4	1.4	1.4	1.5	1.6	1.6
Staff costs/ total costs	%	48.9%	47.9%	50.6%	52.8%	51.2%	50.9%	49.7%	48.8%	48.3%	47.9%	47.5%
Total costs/ employee	PKR	1.6	1.8	1.8	2.0	2.2	2.7	2.8	2.9	3.1	3.3	3.5
Total costs/ branch	PKR	24.9	28.6	29.0	30.6	34.4	39.2	40.6	43.0	45.4	48.1	50.9
Non-staff costs/ branch	PKR	12.4	14.5	13.8	13.8	15.9	18.0	19.6	21.0	22.3	23.8	25.3
Depreciation/ tangible fixed assets	%	12.4%	15.8%	12.6%	11.8%	16.7%	20.0%	21.3%	20.3%	18.8%	18.9%	18.4%
CREDIT RISK												
NPLs/ gross loans	%	3.3%	2.1%	1.5%	1.3%	1.8%	2.0%	2.1%	1.8%	1.7%	1.8%	1.9%
Provisions/ NPLs	%	116.2%	118.1%	133.3%	138.9%	141.6%	146.2%	151.6%	159.1%	150.4%	141.0%	132.8%
Specific provisions/ NPLs	%	96.8%	96.3%	97.3%	96.9%	92.1%	90.1%	94.5%	94.1%	93.5%	92.8%	93.0%
General provisions/ performing loans	%	0.7%	0.5%	0.6%	0.6%	0.9%	1.1%	1.2%	1.2%	1.0%	0.9%	0.8%
Impairment charge/ gross loans	%	0.3%	-0.1%	0.3%	0.2%	0.8%	1.0%	0.9%	0.2%	0.4%	0.4%	0.5%
BALANCE SHEET STRUCTURE												
Cash/ total assets	%	8.2%	8.4%	8.2%	6.9%	8.2%	7.0%	7.4%	7.2%	7.7%	8.0%	8.1%
Interbank assets/ total assets	%	32.1%	19.5%	18.7%	19.6%	19.9%		15.7%	13.2%	11.5%	10.7%	9.9%
Investments/ total assets	%	14.5%	20.3%	15.7%	13.5%	20.4%	28.3%	31.5%	33.0%	33.0%	33.0%	32.9%
Net Islamic Financing / total assets	%	39.0%	47.0%	53.4%	54.4%	43.8%	38.8%	39.7%	40.5%	41.4%	42.2%	43.0%
Deposits/ total assets	%	88.7%	85.0%	85.6%	83.4%	82.8%	82.3%	82.9%	82.5%	82.5%	82.4%	82.3%
Shareholders' equity/ total assets	%	5.0%	5.2%	4.9%	4.6%	5.6%	5.9%	5.9%	6.2%	6.5%	6.8%	7.0%
Net Islamic Financing / deposits	%	44.0%	55.2%	62.4%	65.3%	52.9%	47.2%	48.0%	49.1%	50.2%	51.2%	52.3%
CAPITAL STRENGTH												
CET1 ratio	%	10.2%	10.3%	10.4%	10.6%	11.7%	13.7%	13.1%	13.4%	13.5%	13.6%	13.6%
T1 ratio	%	10.2%	10.3%	10.5%	12.4%	13.3%	15.1%	14.3%	14.4%	14.4%	14.4%	14.3%
CAR	%	11.0%	13.7%	13.4%	14.9%	17.2%	18.7%	17.5%	17.1%	16.7%	16.3%	15.9%
RWAs/ total assets	%	45.6%	45.7%	44.2%	42.1%	39.0%	36.3%	37.9%	39.3%	40.9%	42.3%	43.7%
Effective tax rate	%	40.6%	37.2%	41.8%	39.8%	41.5%	41.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Payout ratio (reported)	%	59.9%	48.7%	56.8%	45.7%	41.3%	47.1%	48.2%	38.9%	40.2%	38.8%	40.7%
Fees/ revenues	%	9.0%	15.4%	21.3%	19.1%	14.1%	9.3%	12.2%	12.2%	12.4%	12.3%	12.1%
Pre-provision profit/ assets	%	1.7%	1.5%	1.4%	1.7%	2.8%	3.4%	2.7%	2.6%	2.7%	2.7%	2.8%
Net operating profit/ assets	%	1.6%	1.6%	1.3%	1.6%	2.4%	3.0%	2.3%	2.5%	2.5%	2.6%	2.6%
ROA (reported)	%	1.0%	1.0%	0.8%	1.0%	1.5%	1.9%	1.4%	1.6%	1.6%	1.6%	1.7%
ROE (reported)	%	20.0%	20.2%	15.4%	21.9%	29.3%	33.8%	24.6%	26.4%	24.6%	24.3%	24.0%
GROWTH												
Total assets	%	21.6%	24.7%	18.5%	19.8%	19.6%	20.3%	10.4%	13.3%	12.5%	13.2%	13.6%
Revenues	%	26.4%	15.7%	10.3%	25.9%	48.2%	37.2%	-6.0%	16.4%	9.8%	13.1%	13.2%
Total Costs	%	28.9%	18.9%	6.7%	15.8%	29.6%	20.3%	6.6%	9.1%	8.7%	9.1%	9.1%
Earnings	%	9.9%	31.5%	-12.5%	58.0%	72.8%	53.5%	-14.2%	23.6%	10.7%	16.4%	16.4%
Shareholders' equity	%	10.3%	32.0%	10.5%	13.5%	44.1%	26.3%	10.4%	19.9%	18.1%	18.2%	17.4%
VALUATION												
EPS	PKR	5.01	6.17	5.29	7.66	12.12	16.97	14.53	17.97	19.91	23.19	27.01
P/E	(x)	22.72	18.46	21.53	14.86	9.39	6.71	7.83	6.33	5.72	4.91	4.21
BVPS	PKR	26.28	34.68	36.14	37.27	48.81	56.04	61.85	74.16	87.56	103.49	121.53
P/B	(x)	4.33	3.28	3.15	3.05	2.33	2.03	1.84	1.53	1.30	1.10	0.94
EPS Growth	%	9.90%	23.08%	-14.26%	44.93%	58.17%	40.03%	-14.37%	23.72%	10.75%	16.49%	16.47%
PEG	(x)	2.30	0.80	(1.51)	0.33	0.16	0.17	(0.55)	0.27	0.53	0.30	0.26

Source: Company accounts, Team Data Miners

Appendix 5: Vertical Analysis

PKR Million	2015	2016	2017	2018	2019	2020E	2021F	2022F	2023F	2024F	2025F
BALANCE SHEET											
ASSETS											
Cash & balances with treasury banks	8%	8%	8%	7%	8%	7%	7%	7%	8%	8%	8%
Balances with other banks	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Due from financial institutions - net	32%	19%	19%	20%	20%	20%	16%	13%	12%	11%	10%
Investments	14%	20%	16%	13%	20%	28%	31%	33%	33%	33%	33%
Islamic financing and related assets - net	39%	47%	53%	54%	44%	39%	40%	41%	41%	42%	43%
Fixed assets	2%	1%	2%	1%	2%	2%	2%	2%	2%	2%	2%
Intangible Assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other assets	3%	2%	2%	3%	4%	3%	3%	3%	3%	3%	3%
Total Assets	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
LIABILITIES											
Bills payable	1%	1%	1%	3%	2%	2%	2%	2%	2%	2%	2%
Due to financial institutions	3%	5%	5%	4%	4%	5%	5%	4%	4%	4%	4%
Deposits & other accounts	89%	85%	86%	83%	83%	82%	83%	82%	82%	82%	82%
Subordinated Sukuk	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Deferred tax liabilities	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other liabilities	2%	2%	2%	4%	5%	4%	4%	4%	4%	4%	4%
Total liabilities	95%	95%	95%	95%	94%	94%	94%	94%	94%	93%	93%
NET ASSETS (TA - TL)	5%	5%	5%	5%	6%	6%	6%	6%	6%	7%	7%
REPRESENTED BY											
Share capital	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Reserves	2%	1%	2%	2%	2%	2%	1%	1%	1%	1%	1%
Unappropriated Profit	1%	2%	2%	2%	2%	3%	3%	4%	4%	5%	5%
Surplus/(deficit) on revaluation of assets	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Total equity	5%	5%	5%	5%	5%	6%	6%	6%	6%	7%	7%
NET EQUITY	5%	5%	5%	5%	6%	6%	6%	6%	6%	7%	7%
PROFIT & LOSS											
Profit / return earned on Islamic financing & investments	88%	82%	80%	85%	90%	92%	90%	90%	90%	90%	91%
Profit on deposits and other dues expensed	40%	34%	34%	36%	46%	35%	36%	38%	38%	38%	38%
Net spread earned - before provisions	48%	48%	46%	49%	44%	57%	54%	52%	52%	52%	53%
Provisions	2%	-1%	3%	2%	4%	5%	5%	1%	2%	3%	3%
Net spread earned	46%	49%	43%	47%	40%	52%	49%	50%	49%	50%	50%
OTHER INCOME											
Fees & Commission Income	5%	10%	13%	12%	7%	6%	7%	7%	7%	7%	7%
Dividend Income	2%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Foreign Exchange Income	4%	3%	3%	2%	3%	2%	2%	2%	2%	2%	2%
(Loss) / gain on securities - net	1%	3%	2%	0%	0%	0%	0%	0%	0%	0%	0%
Unrealized gain / loss on held for trading investments	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other Income	0%	1%	1%	1%	1%	0%	1%	1%	1%	1%	1%
Total Other Income	12%	18%	20%	15%	10%	8%	10%	10%	10%	10%	9%
Total income	59%	67%	62%	62%	50%	60%	59%	60%	59%	59%	59%
OTHER EXPENSES											
Operating expenses	40%	52%	46%	40%	26%	27%	30%	30%	29%	27%	26%
Workers Welfare Fund	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other charges	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total other expenses	41%	52%	47%	41%	27%	27%	31%	30%	29%	28%	27%
Profit before taxation	18%	15%	16%	21%	24%	33%	28%	30%	30%	31%	32%

Taxation	10%	13%	11%	12%	11%	15%	13%	14%	14%	14%	15%
Profit after Taxation	8%	2%	5%	9%	12%	18%	16%	16%	16%	17%	17%

Source: Company accounts, Team Data Miners

Appendix 6: Horizontal Analysis

PKR Million	2015	2016	2017	2018	2019	2020E	2021F	2022F	2023F	2024F	2025F
BALANCE SHEET											
ASSETS											
Cash & balances with treasury banks	47%	28%	15%	1%	42%	3%	16%	9%	21%	17%	16%
Balances with other banks	103%	8%	-59%	68%	86%	4%	-10%	27%	19%	8%	11%
Due from financial institutions - net	88%	-24%	14%	26%	21%	20%	-12%	-5%	-2%	5%	5%
Investments	-33%	75%	-9%	3%	81%	67%	23%	19%	13%	13%	13%
Islamic financing and related assets - net	18%	50%	35%	22%	-4%	6%	13%	16%	15%	15%	16%
Fixed assets	28%	12%	33%	10%	79%	0%	5%	16%	18%	9%	13%
Intangible Assets	-	-	-	-	24%	33%	26%	21%	17%	13%	11%
Other assets	-6%	-24%	32%	106%	61%	-9%	2%	28%	14%	7%	13%
Total Assets	22%	25%	18%	20%	20%	20%	10%	13%	13%	13%	14%
LIABILITIES											
Bills payable	17%	39%	22%	113%	-28%	46%	6%	20%	5%	17%	13%
Due to financial institutions	-12%	135%	15%	-1%	15%	46%	11%	5%	10%	11%	15%
Deposits & other accounts	24%	20%	19%	17%	19%	20%	11%	13%	13%	13%	13%
Subordinated Sukuk	-	-	0%	100%	0%	29%	0%	0%	0%	0%	0%
Deferred tax liabilities	-	397%	-88%	100%	-	-100%	-	-	-	-	-
Other liabilities	9%	10%	33%	101%	41%	3%	-1%	26%	13%	9%	13%
Total liabilities	22%	24%	19%	20%	18%	20%	10%	13%	12%	13%	13%
NET ASSETS (TA - TL)	10%	32%	10%	13%	44%	26%	10%	20%	18%	18%	17%
REPRESENTED BY											
Share capital	0%	0%	6%	10%	10%	10%	0%	0%	0%	0%	0%
Reserves	18%	13%	38%	13%	20%	27%	-5%	9%	9%	10%	10%
Unappropriated Profit	17%	63%	11%	25%	34%	61%	31%	35%	28%	26%	23%
Surplus/(deficit) on revaluation of assets	28%	211%	-67%	106%	20589%	-29%	0%	0%	0%	0%	0%
Total equity	10%	27%	11%	14%	45%	27%	12%	20%	18%	18%	17%
Non-Controlling Interest	-	-	-18%	0%	16%	10%	-100%	-	-	-	-
NET EQUITY	10%	32%	10%	13%	44%	26%	10%	20%	18%	18%	17%
PROFIT & LOSS											
Profit / return earned on Islamic financing & investments	15%	-5%	15%	35%	94%	16%	-6%	15%	12%	13%	14%
Profit on deposits and other dues expensed	-4%	-14%	19%	34%	133%	-12%	-2%	23%	12%	12%	13%
Net spread earned - before provisions	36%	2%	12%	35%	65%	46%	-8%	10%	12%	14%	14%
Provisions	11%	142%	605%	-11%	258%	27%	3%	-69%	90%	25%	27%
Net spread earned	37%	7%	4%	38%	57%	47%	-9%	17%	10%	13%	13%
OTHER INCOME											
Fees & Commission Income	27%	98%	53%	13%	9%	-9%	24%	16%	12%	12%	12%
Dividend Income	122%	-45%	-17%	-16%	14%	-5%	0%	1%	2%	-1%	-1%
Foreign Exchange Income	-10%	-18%	-6%	16%	104%	-32%	10%	10%	10%	10%	10%
(Loss) / gain on securities - net	-70%	196%	-7%	104%	989%	0%	-149%	-76%	-349%	14%	-39%
Unrealized gain / loss on held for trading investments	-	-	-	100%	-	-	-	-	-	-	-
Other Income	32%	113%	15%	-24%	71%	10%	19%	13%	9%	12%	10%
Total Other Income	-3%	49%	28%	-2%	21%	-4%	14%	12%	10%	11%	12%
Total income	26%	16%	10%	26%	48%	37%	-6%	16%	10%	13%	13%
OTHER EXPENSES											
Operating expenses	30%	19%	6%	16%	29%	20%	8%	9%	9%	9%	9%
Workers Welfare Fund	19%	21%	37%	32%	64%	51%	-25%	24%	11%	16%	16%

Other charges	-92%	-11%	201%	52%	401%	4%	-90%	0%	0%	0%	0%
Total other expenses	29%	19%	7%	16%	30%	20%	7%	9%	9%	9%	9%
Profit before taxation	23%	24%	-6%	53%	78%	52%	-16%	24%	11%	16%	16%
Taxation	47%	14%	6%	46%	85%	50%	-18%	24%	11%	16%	16%
Profit after Taxation	10%	31%	-12%	58%	73%	53%	-14%	24%	11%	16%	16%

Appendix 7: Sensitivity Analysis

Sensitivity of Market Share			
Share of IBIs (%)	FY21 EPS	Change in EPS (%)	Price
Base Case+2%	16.55	14%	186.28
Base Case+1%	15.54	7%	172.36
Base Case	14.53	0%	155.92
Base Case-1%	13.51	-7%	138.3
Base Case-2%	12.5	-14%	123.84

Sensitivity of Policy Rate			
Policy Rate (%)	FY21 NIMS (%)	FY21 EPS	Price
Base Case+100bps	5.10%	16.64	171.23
Base Case+50bps	4.90%	15.59	159.1
Base Case	4.70%	14.53	155.92
Base Case-50bps	4.50%	13.47	129.97
Base Case-100bps	4.30%	12.42	118.79

Sensitivity of Inflation			
Policy Rate (%)	Cost/Income	FY21 EPS	Price
Base Case+2%	48%	14.78	171.05
Base Case+1%	48.00%	14.65	161.55
Base Case	48.10%	14.53	155.92
Base Case-1%	48.20%	14.41	146.93
Base Case-2%	48.30%	14.28	141.13

Source: Team Data Miners

Appendix 8: Board Meetings

NAMES OF DIRECTORS	NO. OF MEETINGS HELD IN TENURE	NO. OF MEETINGS ATTENDED
Mr. Riyadh S.A.A Edrees-Chairman	4	4
Mr. Faisal A.A.A Al.Nassar- Vice Chairman	4	4
Mr. Bader H.A.M.A Al Rabiah	4	4
Mr. Mubashar Maqbool	1	1
Mr.Saad Fazil Abbasi	4	4
Mr. Muhamed Guerhazi	3	2
Mr.Mansur Khan	2	2
Mr. Alaa A. Al-Sarawi	4	3
Mr. Noorur Rahman Abid	4	4
Ms. Nausheen Ahmad	3	3
Mr. Atif Azim	2	2
Mr. Ariful Islam-Deputy CEO	1	1
MR. Irfan Siddiqui- President & CEO	4	4

Source: Team Data Miners

Appendix 9: Board Management & Committee

BOARD COMMITTEES	Board Human Resource & Remuneration Committee.
	Board Risk Management Committee.
	Board Audit Committee.
	Board Information Technology Committee
	Board IFRS9 Implementation Committee.

MANAGEMENT COMMITTEES	Asset Liability Management Committee.
	Business Continuity Steering Committee.
	Management Committee.
	Credit Risk Management Committee.
	Disciplinary Action Committee.
	Disciplinary Action Review Committee.
	Compliance & Operational Risk Management Committee.
	IT Steering Committee.
	Investment Committee.
	Service Board.
	IFRS9 Project Steering Committee.

Source: Company accounts, Team Data Miners

Appendix 10: Board members

Name	Designation	Committee Membership	Directorships in Other Companies
Mr. Riyadh S.A.A Edrees	Chairman/Non Executive	Human Resources & Remuneration Committee, IFRS9 Implementation Committee, Information Technology Committee.	Deputy CEO of National Industries Group Holdings & Chairman Audit Committee of Noor Financial Investment Company.
Mr. Faisal A.A.A Al Nasar	Non-Executive Director	Risk Management Committee, Audit Committee and Information & Technology Committee.	Deputy CEO of National Industries Group Holding Company, Chairman & CEO of Al Durra National Real Estate Company- Kuwait
Mr. Bader H.A.M.A AlRabiah	Non-Executive Director	Audit Committee	Vice Chairman & CEO of Noor Salhia Real Estate Company, Chairman Risk Management Committee of Noor Financials Investment Company.
Mr. Mubashar Maqbool	Non- Executive Director	Information Technology Committee & Risk Management Committee	Managing Director at Pak Kuwait Investment Co. (Private) Limited.
Mr. Basil Y.A.Y.R AlBader	Non-Executive Director		Board Member & Vice Chairman of Gulf bank.
Mr. Saad Fazil Abbasi	Non-Executive Director	Risk Management Committee	Joint Secretary to the Government of Pakistan.
Mr. Mohamed Guerhazi	Non-Executive Director	Risk Management Committee	Senior Awqal Investment Specialist in Islamic Development Bank.
Mr. Noorur Rahman Abid	Independent Director	Human Resource & Remuneration Committee & Audit Committee	Member of Board of Trustees at Accounting & Auditing Organization for Islamic FI's, Arcapita Investment Management Bahrain.
Ms. Nausheen Ahmed	Independent Director	Human Resource & Remuneration Committee	General Counsel, Company Secretary & Head of Corporate Communication at ICI Pakistan Limited.
Mr. Atif Azim	Independent Director	Information & Technology Committee	Director at Dotzero (Pvt)
Mr. Irfan Siddiqui	President & CEO/Executive Director	IFRS9 Implementation Oversight Committee and Information & Technology Committee	President of the Islamic Finance Association of Pakistan

Source: Company accounts, Team Data Miners

Appendix 11: Shariah Board members

Names	Designation	Board Memberships
Justice (Retd.) Muhammad Taqi Usmani	Chairman Shariah Supervisory Board	Vice President and Shaikh Hadith at Jamia Darul Uloom, Chairman International Shariah standard Council setup by (AAOFI) Bahrain, Member of United Shariah Board Islamic Development Bank.
Dr. Muhammad Imran Ashraf Usmani	Board Member Shariah Supervisory Board	Director at Hira Foundation School, Director-Center for Islamic Economics.
Sheikh Esam Mohamed Ishaq	Board Member Shariah Supervisory Board	Chairman of Shariah Supervisory Board of Tamweel Africa Holding Senegal, Investment Dar Bank Bahrain.
Mufti Muhammad Naveed Alam	Resident-Shariah Board Member	Member of Shariah Board of NBP & Resident Member of Meezan's Shariah Supervisory Board.

Source: Company accounts, Team Data Miners

<div data-bbox="252 208 619 282"> STRENGTHS </div> <ul style="list-style-type: none"> • MEBL interest free banking to its customers. • MEBL is a market leader, pioneer in the Islamic Banking industry. • Bank has increased its reputation & goodwill after an acquisition of conventional bank (HSBC) • MEBL has high market coverage as compare to competitors. • Shariah Board is credible and authentic consisting of members that are famous religious scholars. • Have a very strong brand image. • Bank offers comprehensive product suite. • The only Islamic Bank to Start Roshan Digital Account 	<div data-bbox="922 208 1289 282"> WEAKNESSES </div> <ul style="list-style-type: none"> • Not focusing much towards global coverage, may discourage big customers. • Very limited human resources are equipped well with Islamic banking knowledge. • Less number of branches in rural areas. • Opportunities are limited for investment of surplus liquidity.
<div data-bbox="229 750 596 824"> OPPORTUNITIES </div> <ul style="list-style-type: none"> • Bank can convert the conventional customers. • Can capture the rural market by increasing the no. of branches in rural areas. • Train human resources with the knowledge of Islamic banking and make them an asset for the organization. • Increase awareness in different institutions regarding Islamic financing. • Provide awareness to unaware customers regarding Islamic banking principles and Shariah Compliant products and services. • Islamic banking is one of the fastest growing economic sectors and has potential to grow in emerging economies. • Strong brand image can help to capture the growing local and international Islamic banking market. 	<div data-bbox="927 750 1294 824"> THREATS </div> <ul style="list-style-type: none"> • Non availability of the products offered by conventional banks like credit card etc. Should develop some sort of similar products by keeping in mind Islamic principles. • Uncertainty of macroeconomics factors. • Growing competition, many conventional banks are converting into Islamic banks due to increasing demand. • Misunderstanding among the general public about Islamic banking system.

Source: Team Data Miners

POLITICAL

The changes in government monetary and fiscal policies have direct and indirect impact on bank's policies and programs. The Central bank, while serving as the government monetary arm, determines the policy rate which in turns directly influences the bank's lending/ borrowing decisions. The bank's profitability is dependent on various factors like CAR, deposit tax and the taxation imposed on banks by SBP. Meezan bank has successfully maintained the CAR of 16.5% above the minimum regulatory requirement of 12.50% which means that Meezan bank has enough buffers to safeguard itself against the liquidity and credit risks.

Government's decisions with respect to tax regimes also affect the bank as well as the bank's customers. As, the tax rate for banking sector is 35% which is higher than the other sectors. Moreover, government changes its fiscal policies towards depositors as current tax on saving account is 15%



ECONOMIC

Pakistan increasing Current account and fiscal deficits has led State Bank to take monetary tightening measures of by increasing the interest rate to 13.25%. However, with Covid'19 implications SBP has squashed the Policies rates. The changing policies can impact Banks' bottom line and value chain.

The decreasing interest rates may dampen the profitability of the banking sector. Bulk of the bank's revenue is earned in the form of net interest margin which consists of the difference between interest amount banks earns on loans that it gives out to the borrowers and the interest amount pays out to depositors. Loan interest rate reprice quickly as compare to the deposit interest rates. As a result, banks may go through a reduction in the lending rates than in the rates that they payout to the depositors, which in return lead to a compression in the bank's profit margins.



SOCIAL

Social and Religious loops are intertwined in our society. Considering the sensitivity of religious sentiments in people of our country and the bank being marketed itself as the premier Islamic bank brings the onerous responsibility to protect the Islamic nomenclatures it uses and to deliver in a Shariah compliant manner that the banks promises to its clients.

Religious people who are inclined to follow Islamic principles strictly are taking more interest in Islamic financing, they also take it as a promoting tool for development that helps to eliminate the poverty among majority of the people and pave the way for right development. Bank can easily acquire the customers who avoid banking system due to religious reason



TECHNOLOGICAL

Technological advancement drives an important role in effective growth of the Islamic banking sector by working on transformational waves that foster the "Fintech" emersion. Comparing to the traditional financial system, it focuses on fulfilling several advantages.

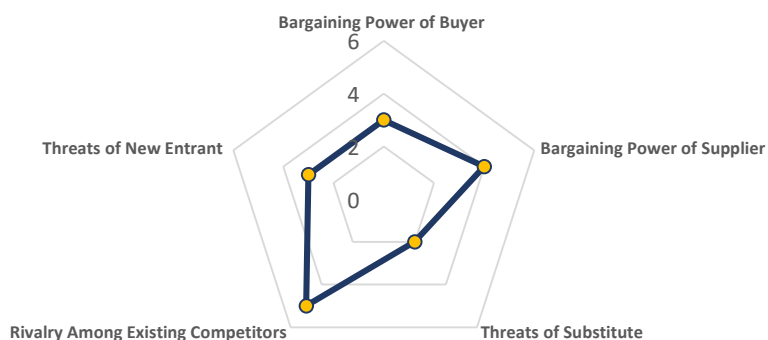
Meezan bank focuses on enhancing the relationship of technology and banking and focusing on increasing its partnership with "Fin-Tech" firms. This will give competitive edge to the bank as this is leading towards the development of new payment and money transfer systems, which results not only in reducing the dependency on cash but it will also contribute significantly towards documentation of the economy and financial inclusion. Meezan is the first bank that started issuing enabled debit cards called Near Field Communication (NFC) in Pakistan and then other banks also started adopting it quickly

Appendix 14: Porter's Five Forces



Source: Team Data Miners

Porter's 5 Islamic Banking Industry



Source: Team Data Miners

Appendix 15: Products and services

COMPLETE BANKING SOLUTION							
SHARIAH COMPLIANT PRODUCTS & SERVICES FOR CUSTOMERS							
Meezan Rupee Current Account	Meezan Asaan Current Account	Meezan Express Current Account	Foregin Currency Current Account	Meezan Rupee Savings Account	Meezan Asaan Savings Account	Meezan Express Savings Account	Foreign Currency Savings Account
Meezan Bachat Account	Meezan Kids Club Account	Meezan Kafalah	Monthly Muradah Certificate	Karobari Munafa Account	Meezan Teens Club Account	Meezan Labbaik	Certificate of Islamic Investment
Mobile Banking App	Internet Banking	SMS Alerts	SMS Banking	Meezan Bank Platinum Debit Card	Meezan Bank Titanium Debit Card	Meezan Bank Gold Debit Card	Meezan Bank Classic Debit Card
Meezan PayPak Debit Card	Supplementary Debit Cards	Contactless Payments NFC Tap & Go	FonePay	Discounts & Privileges	Meezan ATM Network	Skim Guard	Online Branches
Smart Remittance Wallet	Dollar Mudarabah Certificate	Smart Payroll Solutions	Takaful Coverage	Meezan Amdan Certificate for Senior Citizens, Widows & Disabled Persons	Meezan Premium Banking	Meezan Consumer Ease Durable Goods	Meezan Amdan Certificate
		Commercial Vehicle Financing	Car Ijarah	Easy Home			
RANGE OF FINANCIAL PRODUCTS FOR CORPORATE, COMMERCIAL & SME CUSTOMERS							
Murabaha	Musawamah	Istina	Commodity Salam	Tijarah	Ijarah	Running Musharakh	Diminishing Musharakh
			Structured Finance Solutions	Export Financing			

Source: Company accounts, Team Data Miners

Appendix 16: Company Awards

AWARDING BODY	AWARD & CERTIFICATES
2019	
CFA Society Pakistan	Islamic Bank of the Year (Runner-up)
International Finance Award	Most Innovative Islamic Bank Pakistan
Employers Faderation of Pakistan(EFP)	Emplyer of the Year-3rd Position
Global Islamic Finance Awards	Shariah Authencity Award & Shariah Auditor of the Year
Islamic Finance News (IFN)-Malaysia	Pakistan Deal of the Year- Nasda Green Energy Transaction
Islamic Finance Forum of South Asia	Gold Award-Entity of the Year, Gold Award- Bank of the Year
2018	
CFA Society Pakistan	Islamic Bank of the Year
Employers Faderation of Pakistan(EFP)	Recognition Award- Best HRM Practices, Employer of the Year
ICAP and ICMAP	Best Corporate Reports Awards- Banking Sector
Asian Banking and Finance Corporate & Investment Banking Awards	Syndicated Loan of the Year
Global Finance-New York	Masterpass QR Payments through FonePay- Best Islamic Institution in Pakistan.
2017	
Pakistan Stock Exchange Limited	Top 25 Companies of the Year, 2016
CFA Society Pakistan	Islamic Bank of the Year
Mastercard MENA Acquirer Forum	Most Innovative Solution Deployed for Cash Displacement
Asset Triple A Asia Infrastructure	Transport deal of the year, Pakistan for Swat expressway
Global Finance- World's Best Bank Awards	Best Bank in Asia-Pacific Region
Pakistan Society of Human Resource Management	Best Place to Work in Top 10 Best Place to Work Category
2016	
CFA Society Pakistan	Best Islamic Bank of the Year
Islamic Finance News(IFN)- Malaysia	Best Islamic Bank in Pakistan
Asset Triple A- Hong Kong	Best Bank for Digital Innovation, Sukuk House of the Year, Best Trade Finance Bank.
Islamic Finance Forum of South Asia (IFFSA)	Capital Market Service Provider of the Year
ICAP & ICMAP	2nd osition- Best Corporate Reports Awards- Banking Sector

Source: Company accounts

Appendix 17: Company Awards

SUBSIDIARY OF MEEZAN BANK- AL MEEZAN INVESTMENTS

Al-Meezan is the leading AMC in Pakistan since its inception and has the distinction of providing to its customers "Shariah-Compliant Investments" solution to its customers.

Al-Meezan offers a comprehensive suite of products of 16 mutual funds and multiple investment plans ranging from basic equity and income funds to commodity funds.

Al-Meezan's AMU represents around 18.27% of the total mutual funds and over 49.45% of Shariah Compliant mutual funds industry.

Al-Meezan is also increasing its presence and now it has 26 branches across Pakistan.

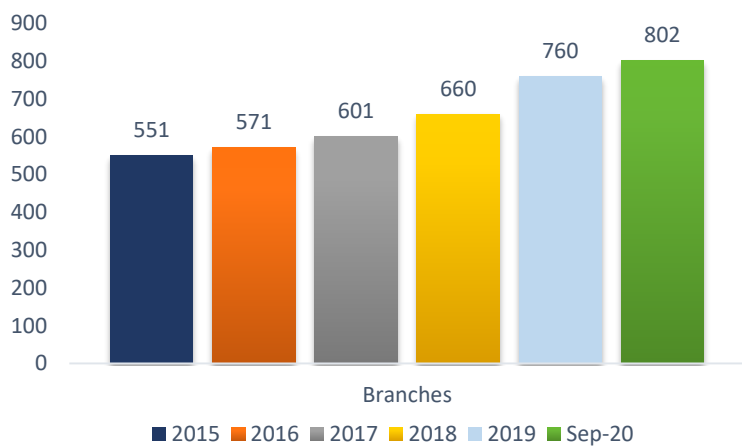
Longest track record of managing discretionary funds under management along with advisory services in the industry to the renowned local and international clients.

Rating of AM1 awarded by JCR-VIS, the highest ever awarded to any AMC in the industry.

Source: Company accounts

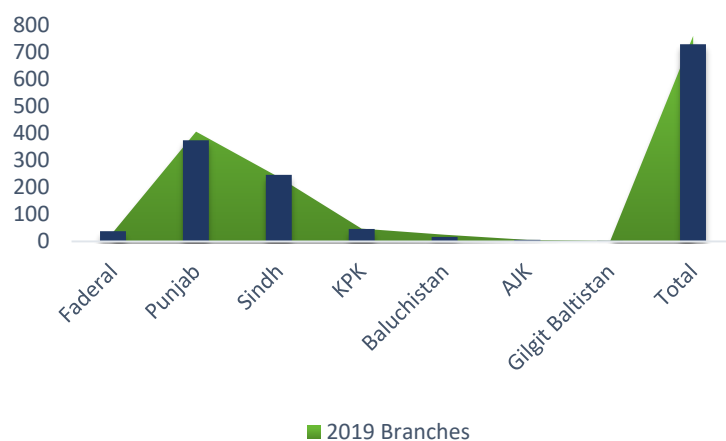
Appendix 18: Branch Network

MEBL Branch Network



Source: Company Accounts

Branch And ATM Network



Source: Company Accounts