

Directors' Report to the Members

On behalf of the Board of Directors, we are pleased to present the financial statements of **MCB Islamic Bank Limited** for the half year ended **June 30, 2025**.

Statement of Financial Position	Rupees in million		
	30-June-25	31-December-24	Growth
Deposits	255,892	209,109	22%
Total Assets	314,861	307,344	2.4%
Investments – net	152,269	146,596	4%
Islamic Financing – net	111,064	119,353	-7%
Shareholders' Equity (including revaluations)	26,602	25,946	3%

Profit & Loss Account	Rupees in million		
	January – June 2025	January – June 2024	Growth
Operating income	8,094	9,048	-11%
Operating and other expenses	5,633	4,752	19%
Credit loss allowance and write offs – net	-132	-46	2.87 Times
Profit before taxation	2,329	4,250	-45%
Profit after taxation	1,048	2,168	-52%
Basic / diluted earnings per share - Rs.	0.674	1.394	-52%

Performance Review

Despite prevailing macroeconomic and geopolitical challenges, MCB Islamic Bank Limited remained focused on optimizing balance sheet strength, deposit mobilization and operational efficiency. As a result of disciplined execution, the Bank posted a **Profit Before Tax (PBT)** of **Rs. 2.33 billion** and a Profit After Tax (PAT) of Rs. 1.05 billion, compared to Rs. 4.25 billion and Rs. 2.17 billion in the corresponding period last year, Alhamdulillah. Earnings per share stood at Rs. 0.674, compared to Rs. 1.394.

As of June 30, 2025, the Bank's **total assets** reached **Rs. 314.86 billion (+2.4%)**, while **deposits** increased to **Rs. 255.89 billion (+22%)**, with a healthy **CASA ratio of 85%** and **non-remunerative deposits** comprising **37%**. The investment portfolio stood at Rs. 152.27 billion and Islamic financing – net amounted to Rs. 111.06 billion, reflecting prudent credit risk practices.

Operating income during the period stood at Rs. 8.09 billion, with a net spread of 5.12% and return on earning assets at 11.06%. Operating and other expenses increased by 19% due to branch expansion and infrastructure upgrades. However, the cost base is being actively monitored to preserve profitability.

The Capital Adequacy Ratio (**CAR**) was reported at **18.80%**, comfortably above the regulatory threshold. The Bank remains committed to maintaining strong capital buffers and sound risk management.

Credit Rating

The Pakistan Credit Rating Agency (PACRA) maintained the Bank's long-term credit rating to 'A+' and the short-term at 'A-1', with a Stable Outlook.

Economic Review

Pakistan's economic recovery gained traction in the first half of 2025, supported by tight fiscal and monetary policies, stable external accounts and a positive rating trajectory. Year-on-year Inflation fell sharply to **3.2%** in June 2025 and foreign reserves improved to **USD 18.09 billion**. Real GDP is projected to grow by **2.6%** (IMF) and **2.7%** (World Bank) for FY 2025, with favorable remittance flows and improved fiscal performance. The Monetary Policy Committee (MPC)

reduced the policy rate by 100 bps during the half year ended to 11%, while the current real interest rate to be adequately positive on forward-looking basis to sustain the ongoing macroeconomic stability. The KSE-100 Index closed at 125,627 points, marking an increase of 10,500 points since December 2024, reflecting improved investor confidence.

The Islamic banking sector continued to expand with total assets reaching **Rs. 11.51 trillion** and deposits growing to **Rs. 8.42 trillion** as of March 2025. The sector's market share in assets and deposits stood at **21.1%** and **25.4%**, respectively.

Future Outlook

Pakistan's near-term economic outlook remains cautiously optimistic, contingent on sustained reforms and continued macroeconomic discipline, as noted in the IMF Staff Report dated May 17, 2025. Key focus areas include fiscal consolidation, revenue mobilization, energy sector reform and improved governance of state-owned enterprises. While external buffers are strengthening and investor confidence is improving, downside risks remain from global commodity volatility, climate shocks and reform fatigue. With continued policy adherence, real GDP growth is projected to accelerate to **3.6% in FY2026**, reflecting a gradual, broad-based recovery.

Recent SBP amendments in **Profit & Loss Distribution and Pool Management** will enhance transparency in Islamic banking, though short-term pressure on profitability is expected. The Bank is aligning its strategy accordingly.

Appreciation and Acknowledgements

The Board of Directors expresses its sincere appreciation to our customers, shareholders, regulators including the **State Bank of Pakistan**, the **Securities & Exchange Commission of Pakistan** and the **Shari'ah Board** for their guidance and support. We also acknowledge the dedication and commitment of our employees who continue to drive the Bank's growth under challenging circumstances.

For and on behalf of the Board of Directors



Zargham Khan Durrani
President / CEO



Raza Mansha
Chairman