

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 Nine Months period ended **September 30, 2025**.

	Rs. in million		
Statement of Financial Position	30-Sep-25	31-Dec-24	Growth
Deposits	247,354	209,109	18%
Total Assets	316,935	307,344	3%
Investments – net	156,122	146,596	6%
Islamic Financing – net	112,436	119,353	-6%
Shareholders' Equity (including revaluations)	27,144	25,946	5%

Profit & Loss Account	Jan – Sep 2025	Jan – Sep 2024	Growth
Operating income	12,512	14,194	-12%
Operating and other expenses	8,705	7,408	18%
Credit loss allowance and write offs – net	-132	-135	-2%
Profit before taxation	3,675	6,651	-45%
Profit after taxation	1,702	3,392	-50%
Basic / diluted earnings per share - Rs.	1.095	2.181	-50%

Performance Review

Despite macroeconomic and geopolitical headwinds, MCB Islamic Bank Limited remained focused on balance sheet optimization, deposit mobilization and operational efficiency. Through disciplined execution, the Bank achieved a **Profit Before Tax (PBT) of Rs. 3.68 billion** and a **Profit After Tax (PAT) of Rs. 1.70 billion**, compared to **Rs. 6.65 billion** and **Rs. 3.39 billion** respectively in the corresponding period last year, *Alhamdulillah*. **Earnings per share (EPS)** stood at **Rs. 1.095**, versus **Rs. 2.181** last year.

As of September 30, 2025, the Bank's total assets stood at **Rs. 316.94 billion (+3.1%)**, while **deposits** increased to **Rs. 247.35 billion (18%)**. The improvement was underpinned by a **robust CASA ratio of 86%** and **non-remunerative deposits comprising 38%** of total deposits, compared to 75% and 29% respectively in Q3 2024, reflecting significant improvement of 9% in CASA and 11% in non-remunerative deposits. The **investment portfolio** reached **Rs. 156.12 billion** and **Islamic financing – net** stood at **Rs. 112.44 billion**, reflecting prudent credit risk management and asset quality discipline.

Operating income during the period amounted to **Rs. 12.51 billion**, with a **net spread of 5.05%** and a **return on earning assets of 10.71%**. Operating and other expenses rose by 18%, primarily due to branch network expansion and technology infrastructure upgrades; however, the **cost base is being closely managed** to sustain profitability.

The Bank's **Capital Adequacy Ratio (CAR)** remained **strong at 20.26%**, well above the regulatory minimum, underscoring the Bank's resilient capital position, sound risk management practices and commitment to sustainable growth.

During this period, the Bank achieved significant milestones in its digital transformation journey. The upgrade to the all-new Oracle-based '**SU3UK**' **Mobile Banking App** marked a major step forward in enhancing customer experience and engagement. In parallel, the **Visa Debit Card launch** and **Core Banking System upgrade** are in

advanced stages of implementation. The Bank's digital journey continues at a strong and steady pace — broadening payment solutions, improving operational efficiency and enabling future growth. Together, these initiatives reaffirm the Bank's unwavering commitment to innovation and digital excellence.

Credit Rating

The Pakistan Credit Rating Agency (**PACRA**) maintained the Bank's **long-term credit rating to 'A+'** and the **short-term at 'A1'**, with a Stable Outlook.

Economic Review

Pakistan's economy continued to strengthen during 2025, sustaining its course of stabilization and gradual recovery despite challenges from severe mid-year floods. Overall macroeconomic indicators reflected marked improvement, supported by prudent fiscal and monetary management, contained inflation and stable external accounts.

Inflation declined to 5.6% (September 2025) on a year-on-year basis, while foreign exchange reserves improved to USD 19.8 billion, reflecting stronger external buffers and a favorable remittance trajectory. The IMF and World Bank project FY2025 GDP growth at 2.7%, signaling continued recovery momentum.

The Monetary Policy Committee (MPC) reduced the policy rate by 100 bps to 11%, maintaining a positive real interest rate stance to anchor inflation expectations and support sustainable growth. The KSE-100 Index closed at 165,494 points by September 2025, gaining over 50,000 points since December 2024, a reflection of rising investor confidence and improving sentiment.

The Islamic banking sector also continued to expand, with total assets reaching Rs. 12.34 trillion and deposits at Rs. 9.53 trillion as of June 2025. The sector's market share in assets and deposits stood at 20.8% and 25.5%, respectively, reaffirming its growing role in Pakistan's financial ecosystem.

Future Outlook

Pakistan's near-term outlook remains cautiously optimistic, underpinned by structural reforms and prudent macroeconomic management. The IMF's October 2025 staff-level agreement under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) reaffirms the country's commitment to fiscal consolidation, energy sector reforms and climate resilience.

The current account recorded a surplus for the first time in 14 years, while inflation stayed within the State Bank's target range and external reserves continued to build. However, flood-related disruptions may temporarily affect agricultural output, with GDP growth projected between 3.25% and 3.6% in FY2026 by IMF.

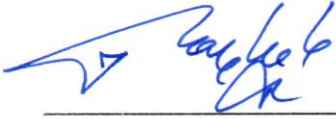
Sustained policy consistency, revenue mobilization, governance reforms and climate adaptation initiatives will remain crucial to maintaining macroeconomic stability and broad-based, inclusive growth.

In the Islamic banking space, recent SBP amendments in Profit & Loss Distribution and Pool Management frameworks are expected to enhance transparency and strengthen governance. While these changes may exert short-term pressure on profitability, the Bank is proactively aligning its strategy and systems to ensure full compliance and long-term sustainability.

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