

## Date

23-Jun-26

## Analyst

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## Applicable Criteria

- Methodology | Financial Institution Rating | Oct-25
- Methodology | Rating Modifiers | Apr-26
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Apr-26

## Related Research

- Sector Study | Commercial Banks | Jun-26

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## PACRA Maintain the Entity Ratings of MCB Islamic Bank Limited

Rating Type	Entity	
	Current (23-Jun-26)	Previous (23-Jun-25)
Action	Maintain	Maintain
Long Term	A+	A+
Short Term	A1	A1
Outlook	Positive	Stable
Rating Watch	-	-

The ratings of MCB Islamic Bank Limited (MCB Islamic) reflect the Bank's strong ownership profile as a wholly owned subsidiary of MCB Bank Limited, which continues to provide strategic, operational, and capital support. The ratings also draw comfort from the Bank's experienced management team and sound governance framework. The recent appointment of a new President & CEO is viewed positively, as the incoming leadership brings much needed alignment with the parent institution and is expected to further strengthen the Bank's strategic direction, operational effectiveness, and growth trajectory. The ratings are further supported by the Bank's expanding Islamic banking franchise, satisfactory asset quality, adequate capitalization, and stable funding profile.

During CY25, the Bank continued to strengthen its market presence through branch expansion, increasing its network to 323 branches across 134 cities (CY24: 303 branches). The Bank also enhanced its digital banking capabilities through the successful launch of the All-in-One SUBUK App, supporting 147,173 active digital users and processing 29.86 million digital transactions during CY25, reflecting growing customer adoption and continued progress towards paperless banking. Despite its relatively small market share, the Bank maintained its customer deposit market share at 0.6% (CY24: 0.6%). Total deposits grew by 28.6% to PKR 268.9bln (CY24: PKR 209.1bln), while customer deposits increased by 17.8% to PKR 223.8bln (CY24: PKR 190.0bln), representing approximately 83% of the total deposit base. The CASA ratio improved to 82.7% (CY24: 76.7%), reflecting a strong low-cost funding profile. Asset quality remained satisfactory, with net financings increasing to PKR 125.0bln (CY24: PKR 119.0bln), while non-performing financings improved marginally to PKR 2.4bln (CY24: PKR 2.5bln). The investment portfolio remained concentrated in Government of Pakistan Ijara Sukuks, reflecting a prudent risk appetite. The Bank's equity increased to PKR 27.7bln (CY24: PKR 25.9bln). Profitability moderated during CY25 amid the declining interest rate environment. Net profit/return declined to PKR 14.7bln (CY24: PKR 17.9bln), resulting in a profit after tax of PKR 2.2bln (CY24: PKR 4.2bln). Nevertheless, growth in fee and commission income and foreign exchange income provided support to earnings. The Capital Adequacy Ratio stood at 17.5% (CY24: 20.5%), remaining comfortably above the regulatory requirement.

The outlook on the ratings is Positive. This indicates the trajectory that the bank has just embarked upon and the pace with which growth equation is being unlocked in multiple areas across the organization. The trendline would be considered positive for the ratings.

### About the Entity

MCB Islamic Bank Limited was formed as a banking company in May 2014 and commenced its commercial operations in October 2015. It is a wholly owned subsidiary of MCB Bank Limited, one of the core entities of the Nishat Group, which holds a strong and diversified presence in Pakistan's financial sector. The Bank is led by Mr. Hammad Khalid, President & CEO, a Chartered Accountant with extensive experience in financial management, regulatory compliance, and strategic leadership, previously serving as CFO of MCB Bank Limited.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

