

Date

21-Oct-26

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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 Upgrades the Entity Ratings of MCB Islamic Bank Limited

Rating Type	Entity	
	Current (21-Oct-26)	Previous (23-Jun-26)
Action	Upgrade	Maintain
Long Term	AA-	A+
Short Term	A1	A1
Outlook	Stable	Positive
Rating Watch	-	-

The assigned ratings reflect MCB Islamic's growing presence in the Islamic banking market, supported by a materially strengthened funding, liquidity, and capitalization profile. The Bank benefits from strong strategic and operational linkages with MCB Bank Limited (MCB), its 100% shareholder, which has maintained an AAA rating from PACRA since 2013 and continues to provide strategic, operational, and capital support. Leveraging these linkages, the Bank has, since its establishment, developed a distinct identity within the commercial banking segment. Beyond the parent, the Bank's ultimate association with the Nishat Group further underpins the ratings. As an emerging and growing entity within the Group, MCB Islamic benefits from its association with one of Pakistan's premier business houses, which has diversified operations across key sectors, including textiles, cement, banking, insurance, power generation, hospitality, agriculture, dairy, and paper products. The new leadership, under the recently appointed CEO, is expected to further strengthen alignment with the parent bank, reinforcing financial discipline, strategic direction, and execution capabilities. The Bank's funding resilience strengthened during 9MCY26, as robust deposit mobilization comfortably funded balance sheet expansion, enabling borrowings from financial institutions to decline 31.1% to PKR 15.4bln and lifting the share of deposits in total liabilities to 91.4% (CY25: 86.9%). This reflects a more stable, franchise-driven funding structure with reduced dependence on borrowed funds. This deposit momentum is the central driver of the upgrade and reflects the sustained deepening of the Bank's franchise. Total deposits expanded 30.1% to PKR 349.9bln in 9MCY26 (CY25: PKR 268.9bln), with customer deposits forming about four-fifths of the base, indicating a granular and stable funding structure rather than dependence on institutional placements. The CASA ratio stood at a strong 78.4% in Sep'26, underpinning a low-cost funding profile and a healthy transaction-banking relationship with customers. This franchise depth is reinforced by a widespread branch network and the successful rollout of the All-in-One SUBUK App, whose growing adoption is visible in the strong momentum in digital banking and card-related fees, thereby broadening the Bank's earning avenues beyond spread income. Asset quality remains sound and conservatively managed. The Bank has maintained a measured credit appetite: its advances-to-deposits ratio of 31.8% remains below the industry average of 37.4%, with surplus liquidity channeled into Government securities reflecting low credit risk and a prudent balance sheet posture. Core earnings have demonstrated resilience in a declining rate environment. Mark-up earned rose to PKR 26.0bln in 9MCY26 (9MCY25: PKR 22.9bln), supported by balanced contributions from the financing book and the sizeable Sukuk portfolio, which together sustained net spread income at last year's level despite higher funding costs on a larger deposit base. Momentum improved in 9MCY26, with net spread income and PAT registering YoY growth. Capitalization strengthened, with the Capital Adequacy Ratio at 16.25% (CY25: 17.50%). Continued growth in key performance parameters, supported by sustained liquidity and capitalization, is essential for future ratings. A seamless governance framework and independence in decision-making will remain important. Ongoing improvements in profitability, operating efficiency and earnings diversification, particularly through digital and fee-based income, are important.

About the Entity

MCB Islamic Bank Limited was formed as a banking company in May 2014 and commenced its commercial operations in Oct'15. 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 chaired by Mr. Raza Mansha, who brings over 30 years of diversified experience across banking, textile, power, cement, insurance, hospitality, real estate, agriculture, and other sectors. The Bank's operations are led by Mr. Hammad Khalid, President & CEO, who brings over 19 years of experience in banking and financial services, having previously served 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.