

Date

23-Jun-25

Analyst

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Applicable Criteria

- Methodology | Debt Instrument Rating | Oct-24
- Methodology | Financial Institution Rating | Oct-24
- Methodology | Rating Modifiers | Apr-25

Related Research

- Sector Study | Commercial Banks | Jun-25

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PACRA Maintain the Entity Ratings of MCB Islamic Bank Limited

Rating Type	Entity	
	Current (23-Jun-25)	Previous (22-Jun-24)
Action	Maintain	Upgrade
Long Term	A+	A+
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

MCB Islamic Bank Limited (MCB Islamic), a wholly owned subsidiary of MCB Bank Limited (MCB), continues to strengthen its presence in the evolving Islamic banking landscape through a strategic focus on sustained growth, network and business volume expansion, and investments in technology. In alignment with its Parent Bank's strategy, MCB Islamic is expanding its branch network to mobilize low-cost and no-cost deposits. In line with its prudent financing practices, the Bank is also broadening its financing portfolio to promote financial inclusion. This has resulted in a notable improvement in the Advances-to-Deposits Ratio, reaching 58.6% as of end-Dec'24 (Dec'23: 44.3%), with a significant portion of the growth driven by onboarding new-to-Bank customers. Although MCB Islamic remains a small-sized Bank, it has sustained and modestly increased its deposit base, with customer deposits rising to PKR 190bln in FY24 (CY23: PKR 183bln). The Bank's market share in terms of deposits remained stable at 0.7% as of Dec'24. Deposit mobilization continues to be a key focus area, supported by the Parent Bank. Notably, 39 conventional MCB branches have been successfully converted into Islamic branches under a 'Scheme of Compromises, Arrangements and Reconstruction' approved by the Honorable. Supported by an efficient organizational structure, robust risk management and strict regulatory compliance, the Bank achieved Profit Before Tax of Rs. 9.11bln for the year ending Dec'24 (Dec'23: 11bln). Asset quality metrics remain satisfactory, supported by strong capital buffers. The Bank's equity base grew to PKR 25.9bln (CY23: PKR 22bln). The Capital Adequacy Ratio (CAR) stood at 20.5% at FY24 end (Dec'23: 23.8%), comfortably above the regulatory minimum of 11.5%. The Bank's management remains committed to long-term sustainable profitability by emphasizing efficient capital management, superior asset quality, and a high-yielding portfolio. The Bank is also upgrading its technology platform and shifting towards the latest technology to keep pace with the banking industry. Effective management of asset quality and operating expenses will be critical going forward. The rating is thus maintained, reflecting the continued strong support from the parent, stable deposit base, improving advances deployment, a solid capital adequacy position, and a stable equity base, despite near-term profitability pressures. Any weakening in asset quality will in turn put pressure on the Bank's profitability and risk absorption capacity.

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. As of March 2025, the Bank operates through a network of over 300 branches, supported by 290 ATMs, across 290 locations in 134 cities nationwide. This expansion includes the successful transfer of 39 branches from MCB Bank Limited, significantly enhancing its nationwide footprint. Mr. Zargham Khan Durrani continues as President & CEO of MCB Islamic Bank. Ms. Nabeela Waheed joined the Board, replacing Ms. Seema Aziz, bringing 35+ years in banking and risk management. Mr. Muhammad Saqib Sajjad joined management as Group Head Treasury & FXG with 20+ years' experience in Treasury and Capital Markets.

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.

