



## Rating Action

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## Applicable Criteria and Related Research

- Banking Sector - Viewpoint | Dec-15
- Bank Rating Methodology

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## PACRA MAINTAINS ENTITY RATINGS OF MCB BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long term and short term entity ratings of MCB Bank Limited (MCB) at "AAA" (Triple A) and "A1+" (A One Plus). The ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments.

The ratings take note of MCB's strong financial profile, reflected in solid capitalization, sound liquidity, and diverse deposit base. This has been enabled by the bank's able parentage, wherein a diverse mix of sponsors - mainly led by Nishat Group - has been providing an effective oversight. The ratings factor in MCB's strong market positioning, supported by its well established brand name and substantial out reach; helping in maintaining a sizeable low cost deposit base. However, given that the bank has already achieved good cost efficiency in its deposit base, extending it further would be difficult. Hence, any further softening in interest rate environment would challenge its business margins. The bank continues with its current strategy of lending to premier corporates with sustained focus on government exposure. The bank has established an Islamic Banking subsidiary, thereby, becoming the first conventional bank to do so.

The ratings are dependent on the bank's ability to hold its existing position in the banking sector. Any deterioration in the perceived strength of the bank or ownership with consequent impact upon its governance efficacy would have negative implication. Further strengthening of human resource would be vital.

## About the company:

MCB Bank is the fifth largest bank in terms of its share in total banking deposits (7.1% at end-Dec15) in the country. The bank is operating with a distinct domestic franchise, having 1,246 branches. Compared to its peers, MCB Bank has limited overseas operations. MCB Bank is majority owned by Nishat group (~42%), a prominent business conglomerate, having diversified interests in textile, cement, power, financial services, and insurance sectors. Malayan Banking Berhad (Maybank) of Malaysia, has 20% stake in MCB since May08. A set of prominent domestic industrial groups also own a sizeable stake in the bank. Nishat group, in addition to MCB Bank, has strong presence in entire spectrum of financial services - Adamjee General Insurance; Adamjee Life Assurance; MCB Islamic Bank Limited and MCB-Arif Habib Savings and Investments Limited. The spectrum is gradually building synergistic benefits.

The thirteen member board of directors includes prominent industrialists and financial sector specialists. Out of thirteen directors, President & CEO is an executive director and the remaining are non-executive directors including two representatives of Maybank. Mian Mohammed Mansha, the chairman of the bank, is an eminent businessman and a successful entrepreneur. Mr. Imran Maqbool, the CEO, carries diversified and extensive banking experience. He is supported by an experienced team.

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.