



## Rating Action

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## Applicable Criteria and Related Research

- Banking Sector - Viewpoint | Mar-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 exceptionally strong financial profile, reflected in solid capitalization (CAR: 20% - the highest in peer universe), sound liquidity, and diversified 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 bank intends to inculcate a result oriented culture, whereby design of its strategy and systems should ensure sustainability in the business philosophy. The ratings factor in MCB's strong market positioning, supported by its well established brand name and substantial out reach. This helped in maintaining a sizeable low cost deposit base as compared to its peers. 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, which will operationalize subject to regulatory approval.

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

## About the Company:

MCB Bank is the fourth largest bank in terms of its share in total banking deposits (7.5% at end-Dec14) in the country. The bank is operating with a distinct domestic franchise, having 1,232 branches, compared to its peers, MCB Bank has limited overseas operations; an area where the bank intends to expand. MCB Bank is majority owned by Nishat group (~41%), 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; and MCB-Arif Habib Savings and Investments. 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.

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.