

Date

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Applicable Criteria

- Methodology | Financial Institution Rating | Jun-22
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jun-22
- Methodology | Rating Modifiers | Jun-22

Related Research

- Sector Study | Commercial Bank | Jun-23

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PACRA Maintains Entity Ratings of MCB Bank Limited

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

MCB's ratings derive reassurance from its resilient market position and strong financial standing. This resilience has been facilitated by the bank's parentage, wherein a diverse consortium of sponsors, primarily led by the Nishat Group, contribute effective oversight. The ratings reflect MCB's robust market standing, which is bolstered by its well-established brand recognition and extensive outreach. Notably, MCB has maintained its status as the leading player in the banking industry, boasting the highest CASA ratio. However, in deposits, the bank has experienced a deceleration in its growth momentum by 2% (CY22: PKR 1,379bln, CY21: PKR 1,412bln) due to a strategic focus on generating no-cost current accounts and tapering off high-cost deposits. The cessation of ADR-related regulations would benefit the bank's profits. MCB continues to execute its current strategy, which entails lending to premier corporate entities and maintaining a prominent exposure in government securities. MCB has consistently demonstrated a notable profit base in recent years, establishing its position in the banking industry. As at end-Mar'23, the bank's Capital Adequacy Ratio stood at 18% (end-Dec'22: 18.8%). Moreover, the bank has established an Islamic banking subsidiary, making it the first conventional bank to do so. Pakistan's economy has traversed diverse phases in the past year, marked by political upheaval, an economic crisis, and devastating floods. The country has grappled with daunting challenges such as soaring inflation, currency depreciation, and precarious foreign reserves. However, the banking sector has persevered, showcasing high profitability. Looking ahead, the macroeconomic landscape is fraught with numerous challenges, including elevated interest rates, demand tightening, rupee depreciation, and heightened inflation, all of which reverberate across all sectors of the economy.

The ratings are contingent upon the bank's capability to sustain its current position within the banking sector. Any erosion in the perceived stability of the bank or changes in ownership that adversely affect its governance effectiveness would have unfavorable implications.

About the Entity

MCB Bank predominantly falls under the ownership of the esteemed Nishat Group, a well-established and diversified business conglomerate in Pakistan. The Nishat Group, along with the Mansha family's individuals and corporate entities within the group, holds majority shares, enabling significant influence over MCB Bank. Furthermore, the Nishat Group, commands a prominent position as a leading and diversified business entity in South East Asia, with a widespread presence across multiple sectors such as textiles, cement, insurance, banking, financial services, power generation, hospitality, dairy, paper products, retail, real estate, agriculture, aviation, and automotive. Notably, the Nishat Group has consolidated its ownership stake, reflecting the majority-stake, while Maybank International Trust (Labuan) Berhad holds a substantial 18.78% stake. The Group's influence extends globally, encompassing countries like Sri Lanka, Azerbaijan, UAE, USA, Hong Kong, and Bahrain. It is noteworthy that the Nishat Group plays a significant role as one of Pakistan's major private-sector employers, exporters, and contributors to tax revenue. Nishat Group, in addition to MCB Bank, has a strong presence in the 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 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.