



Date

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Applicable Criteria

- Methodology | Financial Institution (Jun 18)
- Methodology | Criteria | Rating Modifier (Jun 18)
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale (Jun 18)

Related Research

- Sector Study | Commercial Bank (Jun 19)

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PACRA Maintains Entity Ratings of MCB Bank Limited

Rating Type	Entity	
	Current (27-Jun-2019)	Previous (27-Dec-2018)
Action	Maintain	Maintain
Long Term	AAA	AAA
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

The ratings take note of MCB's sustained financial profile, reflected in very strong 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 - have 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. MCB has one of the highest CASA in the industry, with lowest cost of funds amongst all players. The bank deposit base grew almost with the industry average and crossed one trillion mark. The bank continues with its current strategy of lending to premier corporates with sustained focus on government exposure. MCB was marked as the bank with the highest profitability numbers for the year 2018. The Bank took a cautious approach with advances this time. ADR has stayed the same. The bank has established an Islamic Banking subsidiary, thereby, becoming the first conventional bank to do so. The risk absorption capacity of the bank, measured in terms of CAR, has increased from 16.4% 2017 to 18.1% in 2018.

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 Entity

MCB Bank is the fourth largest bank in terms of its share in total customer deposits (7.8% at end-Dec18) in the country. The bank is operating with a distinct domestic franchise, having 1,376 branches. Compared to its peers, MCB Bank has limited overseas operations. MCB Bank is majority owned by Nishat group (~36%), a prominent business conglomerate, having diversified interests in Textiles, Cement, Banking, Insurance, Power Generation, Hotel Business, Agriculture, Dairy, and Paper Products. Malayan Banking Berhad (Maybank) of Malaysia has ~19% stake in MCB. 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 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.