



The Pakistan Credit Rating Agency Limited

PRESS RELEASE

Rating Action

Lahore: (04-Feb-2013)

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Applicable Criteria and Related Research

-Bank Rating Methodology

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PACRA ASSIGNS “AAA” RATING TO MCB BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has upgraded the long term entity ratings of MCB Bank Limited (MCB Bank) to “AAA” (Triple A) [previous rating: “AA+”], while short term rating has been maintained at “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 Bank's exceptionally strong financial profile, reflected in solid capitalization, sound liquidity, and diversified deposit base. Persistent improvement of these key parameters over the years despite challenging economic environment gives confidence as to sustainability. This has been enabled by the bank's prudent leadership, wherein a diverse mix of sponsors has been providing effective oversight to the bank's operations. A result oriented culture is being engrained in the bank, leading to system-driven sustainability in the business philosophy. Meanwhile, the ratings factor in MCB Bank's strong market position, characterized by its established brand and extensive branch network. This benefits the bank in maintaining – indeed growing – a low cost deposit base as compared to its peers. The bank continues with its initiative to strengthen its control environment as supported by upgraded technology infrastructure.

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

The Bank: MCB Bank is the fourth largest bank in terms of its share in total banking assets (9% at end-Sep12) in the country. The bank is operating with a distinct franchise, having 1,187 branches. MCB Bank is majority owned by Nishat group (at end-Mar12: ~32%), 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. The group has over 2,200 offices in 17 countries with concentration in ASEAN, besides having presence in the UK and the USA. Maybank has international rating of 'A-' from Fitch. MCB Bank benefits from Maybank's expertise mainly in Islamic banking and risk management.

The thirteen member board of directors includes prominent industrialists and financial sector specialists. The board comprises six nominees of Nishat Group, two representatives of Maybank, and four independent directors. Mian Mohammed Mansha, the chairman of the bank, is an eminent businessman and a successful entrepreneur. The CEO, Mr. Imran Maqbool possesses decades of banking experience, including significant exposure at MCB itself.

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.