



Rating Action

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Analyst

Amber Naguib
(+92-42-35869504)
amber.naguib@pacra.com
www.pacra.com

Applicable Criteria and Related Research

- 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 Bank) 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: 22.3% - highest in peer universe), sound liquidity, and diversified deposit base. This has been enabled by the bank's prudent leadership, wherein a diverse mix of sponsors has been providing an effective oversight to the bank's operations. The bank intends to inculcate a result oriented culture, whereby system rather than individuals ensure sustainability in the business philosophy. Meanwhile, the ratings factor in MCB'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 current strategy of lending to premier corporates with sustained focus on government exposure. At the same time, the banks eyes geographic diversification besides full-fledged Islamic banking.

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 Bank:

MCB Bank is the fourth largest bank in terms of its share in total banking deposits (7.6% at end-Dec13) in the country. The bank is operating with a distinct franchise, having 1,217 branches. MCB Bank is majority owned by Nishat group (~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. 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.