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Applicable Criteria

- Methodology | Bank Rating (Jun 17)
- Rating Methodology | Basel III Instruments (Mar 18)

Related Research

- Sector Study | Commercial Bank (Jun 18)

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PACRA Maintain Entity Ratings of MCB Bank TFC II (Formerly NIB Bank Limited | TFC II | Jun-14)

Rating Type	Debt Instrument	
	Current (27-Jun-2018)	Previous (29-Dec-2017)
Action	Maintain	Maintain
Long Term	AAA	AAA
Short Term		-
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 the highest CASA in the industry, with lowest cost of funds amongst all players. The bank lately has added a sizeable chunk to its deposit base. The bank continues with its current strategy of lending to premier corporates with sustained focus on government exposure. Lately, the bank has added momentum to its growth trajectory. At the same time, beefing up of the consumer and SME book is also anticipated amidst improving fundamentals. The bank has established an Islamic Banking subsidiary, thereby, becoming the first conventional bank to do so. NIB Bank Limited was merged with and into MCB in July-17. Post-merger, MCB's risk profile has sustained - which bodes well for the bank.

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 (8% at end-Dec17) in the country. The bank is operating with a distinct domestic franchise, having 1,444 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 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. He is supported by an experienced team.

About the Instrument

The instrument is rated, listed, unsecured subordinated TFC of PKR 4,198mln issued in Jun14. Tenor of the instrument is eight years (Jun22) with a profit rate of 6M-KIBOR plus 115bps, payable semi-annually. TFC carries a call option, which can be exercised in part or full, after Jun19, subject to SBB approval.

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.