

**Date**

23-Jun-22

**Analyst**

Sehar Fatima  
sehar.fatima@pacra.com  
+92-42-35869504  
www.pacra.com

**Applicable Criteria**

- Methodology | Financial Institution Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21
- Criteria | Rating Modifiers | Jun-21

**Related Research**

- Sector Study | Commercial Bank | Jun-22

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**PACRA Maintains Entity Ratings of MCB Bank Limited**

Rating Type	Entity	
	Current (23-Jun-22)	Previous (23-Jun-21)
<b>Action</b>	Maintain	Maintain
<b>Long Term</b>	AAA	AAA
<b>Short Term</b>	A1+	A1+
<b>Outlook</b>	Stable	Stable
<b>Rating Watch</b>	-	-

The ratings take comfort from MCB's sustained market and financial position. 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 rating factors in MCB's strong market positioning, supported by its well-established brand name and substantial out-reach. MCB retained its position as the player with highest CASA in the banking industry. A slowdown was witnessed in the growth pace of the bank. The large bank's universe is seeing major challenge due to some banks which have lately recorded massive growth. Holding onto its respective share is important. There has been a change at the helm of affairs, which it is hoped would provide impetus to the growth proposition. The bank continues with its current strategy of lending to premier corporates along with key focus on government securities. From risk perspective, it is favorable, especially when it is supplemented by a sizeable investment book, reaching a trillion-rupee mark. The bank remained focused on taking a cautious yet balanced approach with respect to its advance's portfolio. The advances book witnessed significant increase, during CY21, improving ADR of the bank. MCB has marked its position as the bank with notable profit base since the last few years. The bank has established an Islamic Banking subsidiary, thereby, becoming the first conventional bank to do so. Pakistan's economy has gone through several varied phases in last two years due to the COVID19 pandemic. Banking sector continued to flourish with high profitability. Going forward, the macro-economic environment is beset with myriad challenges due to heightened interest rate, tightening of demand, rupee depreciation and higher inflation. This has repercussions for all segments of the economy.

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. CAR of the Bank as on Mar-22 reported at 16.35% (CY21: 17.01%).

**About the Entity**

MCB Bank is the fourth largest bank in terms of its share in total customer deposits (7% at end-Dec21) in the country. The bank is operating with a distinct franchise, having over 1,400 branches. Compared to its peers, MCB Bank has limited overseas operations. MCB Bank is substantially owned by Nishat group, 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 ~18.78% stake in MCB. In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited. 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. Mr. Shoaib Mumtaz has been appointed as the President and CEO of the Bank effective from December 21, 2021. He is business graduate from the United States and a seasoned banker with almost three decades of experience with MCB. He has served at various key positions in Branch Banking, Credit Risk, Corporate Finance and International Banking.

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.