



**Date**

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**Applicable Criteria**

- Rating Modifiers | Outlook and Rating Watch (Jun 16)
- Bank Rating (Jun 16)

**Related Research**

- Sector Study | Commercial Bank (Jun 17)

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

Rating Type	Entity	
	Current (19-Jun-2017)	Previous (24-Jun-2016)
<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 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 - has 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 sizeable chunk to its deposit base, slightly inching it up. The bank continues with its current strategy of lending to premier corporates with sustained focus on government exposure. At the same time, beefing up of the consumer and SME book is also anticipated amidst improving macro fundamentals. The prevailing interest rate environment is a challenge especially with the drying stream of PIBs. The bank has established an Islamic Banking subsidiary, thereby, becoming the first conventional bank to do so. The bank is in the process of merging NIB Bank with and into itself.

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% at end-Dec16) in the country. The bank is operating with a distinct domestic franchise, having 1,227 branches. Compared to its peers, MCB Bank has limited overseas operations. MCB Bank is majority owned by Nishat group (~38%), 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. 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.

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.