



**Date**

22-Jun-24

**Analyst**

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**Applicable Criteria**

- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-23
- Methodology | Financial Institution Rating | Oct-23
- Methodology | Rating Modifiers | Apr-24

**Related Research**

- Sector Study | Commercial Banks | Jun-24

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

Rating Type	Entity	
	Current (22-Jun-24)	Previous (23-Jun-23)
<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 reflect MCB's robust market standing, which is bolstered by its well-established brand recognition and extensive outreach. MCB remains one of the leading player in the banking industry. A key strategic strength of the bank is its low cost of funding, enabled by the highest CASA ratio in the industry. Non-remunerative deposits grew by 28%, reaching PKR 871bln by the end of Dec'23. The bank has consistently demonstrated a notable profit base, further solidifying its industry position. With a strong buildup in core earnings, the bank reported a historic PBT of PKR 125.2bln in 2023. The bank's assets grew by 16% over the past year, reaching PKR 2.43trln as at CY 2023. An analysis of the asset mix shows that net investments increased by 28% (PKR 271bln), while gross advances decreased by 22% (PKR 175bln) due to subdued domestic demand by the end of Dec'23. Net interest income increased to PKR 148bln registering an impressive growth of 69% during CY23. Despite exceptional inflationary pressures, the Bank continues to manage an efficient operating expense base with an increase of 25% during CY23. Efforts to reduce the delinquent portfolio have led to continuing improvements in credit quality across major consumer, commercial, and corporate portfolios. During the year, MCB Bank attracted home remittance inflows of USD 3.2bln to further consolidate its position as an important contributor to the national cause of improving the flow of remittances through banking channels. Along with its wholly-owned Islamic Bank subsidiary, MCB operates the second-largest network of branches across Pakistan. The bank is demonstrating increasing focus in Islamic banking, in terms of expansion and providing a full spectrum of banking statistics to Islamic banking customers. MCB's Digital Platform "MCB Live" is a comprehensive, stable, and flexible payment ecosystem that welcomed more than 375k new customers during the year 2023. With a well-framed infrastructure in place, the Bank constantly upgrades innovative digital solutions for enhanced user experience. The Capital Adequacy Ratio (CAR) saw an increase in Dec'23, standing at 20.4%, well above the required limit of 11.5% (with a 1% relaxation due to Covid-19).

The ratings are contingent upon the bank's capability to sustain its current position within the banking sector. Any erosion in the perceived stability of the bank or changes in ownership that adversely affect its governance effectiveness would have unfavorable implications.

**About the Entity**

MCB Bank predominantly falls under the ownership of the esteemed Nishat Group, a well-established and diversified business conglomerate in Pakistan. The Nishat Group, along with the Mansha family's individuals and corporate entities within the group, holds majority shares, enabling significant influence over MCB Bank. Furthermore, the Nishat Group, commands a prominent position as a leading and diversified business entity in South East Asia, with a widespread presence across multiple sectors such as textiles, cement, insurance, banking, financial services, power generation, hotels and hospitality, dairy, paper products, retail, real estate, agriculture, aviation, and automotive. Notably, the Nishat Group has consolidated its ownership stake, reflecting the majority stake, while Maybank International Trust (Labuan) Berhad holds a substantial 18.78% stake. The Group's influence extends globally, with investments in several countries. Notably, the Nishat Group plays a significant role as one of Pakistan's major private-sector employer, exporter, and contributor to tax revenue. Nishat Group, in addition to MCB Bank, has a strong presence in the entire spectrum of financial services - Adamjee General Insurance, Adamjee Life Assurance, MCB Islamic Bank Limited and MCB-Investment Management Limited. The spectrum is gradually building synergistic benefits.

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.