



**Date**

23-Jun-21

**Analyst**

Ahmad Saad Siddiqi  
ahmad.saad@pacra.com  
+92-42-35869504  
www.pacra.com

**Applicable Criteria**

- Methodology | FI | Jun-20
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-20
- Criteria | Rating Modifier | Jun-20

**Related Research**

- Sector Study | Commercial Bank | Jun-20

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

Rating Type	Entity	
	Current (23-Jun-21)	Previous (26-Jun-20)
<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, reflected in capitalization – among the strongest CARs (20.98%) in the industry, 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 rating factors in MCB's strong market positioning, supported by its well established brand name and substantial out-reach. MCB holds the highest CASA in the industry, wherein further augmentation was observed. The bank continues with its current strategy of lending to premier corporates with a key focus on government securities. MCB has marked its position as the bank with notable profit base since the last few years. The bank has made, on a proactive basis, huge general provisioning, which will provide an aid against unforeseen risk due to the uncertainties prevailing in the market. The bank remained focused on taking a cautious yet balanced approach with respect to its advances portfolio, where advances observed attrition, during CY20, and there has been a dip in ADR. From risk perspective, it is favorable, especially when it is supplemented by a sizeable investment book, reaching a trillion rupee mark. The bank has established an Islamic Banking subsidiary, thereby, becoming the first conventional bank to do so. COVID-19 is an ongoing challenge. While it has taken a toll on many businesses, its ramifications are still unfolding. The proactive measures taken by the regulators and other concerning bodies have mitigated the potential damages much anticipated from this pandemic. As a result, the banking industry remained protected and in fact posted record profits. Vigilance is required as the loan repayment cycle remains amid variants of the pandemic continue to re-emerge.

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-Dec20) 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 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 ~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.

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.