



Date

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Analysts

Sehar Fatima
sehar.fatima@pacra.com

+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Financial Institution (Jun 18)
- Methodology | Criteria | Rating Modifier (Jun 18)
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale (Jun 18)

Related Research

- Sector Study | Islamic Banking (Jun 18)

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PACRA Maintains Entity Ratings of MCB Islamic Bank Limited

Rating Type	Entity	
	Current (26-Dec-2018)	Previous (29-Jun-2018)
Action	Maintain	Maintain
Long Term	A	A
Short Term	A1	A1
Outlook	Positive	Positive
Rating Watch	-	-

MIB is a wholly owned subsidiary of MCB Bank Limited (MCB). MCB has long term rating of "AAA" reflecting its robust profile duly supplemented by its strong market position in local banking landscape, established brand equity, and sound financial profile. MIB's standalone risk profile is improving. The management's strategy is to focus primarily on high-rated, blue chip corporate clients. Meanwhile, undertaking new business lines including Micro, SME and Consumer financing are also on the horizon. MIB has set relatively high targets for deposit growth and plans to focus on maintaining its financing book quality. The thrust of the business plan is to achieve breakeven. The bank is in the process of advancing its operational infrastructure including branch network. Technological implementation and setting governance structure were mile stones achieved by bank in the last year. The ratings incorporate inherent constraints faced by MIB, mainly limited branch network, small deposit base and high cost structure particularly in early years. Lately, the bank's branch network and deposit base witnessed improvement which may bode well for achieving break even in upcoming year. Going forward, monitoring of CAR is important while expanding lending portfolio. The positive outlook captures the continued improvement in the MIB's relative positioning in the growing Islamic banking industry.

About the Entity

MIB was formed as a banking company in May, 2014. MIB is a wholly owned subsidiary of MCB one of Nishat Group's major concern having strong presence in the financial sector. It started its commercial operations in November, 2015. Initially, it had six branches, however, currently working at 173 branches. MCB Islamic bank's deposits are 0.5% of total banking industry.

The overall control of the bank vests with eight members of the Board of Directors (BoD) including CEO. The Board currently comprises seven members (one position is vacant). Mr. Ali Muhammad Mahoon – Ex Group Head MCBIBG is the President of MIB. 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.

