



**Date**  
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**Analysts**

Aisha Khalid  
aisha@pacra.com

Sanna Khan  
sanna.khan@pacra.com

+92-42-35869504  
www.pacra.com

**Applicable Criteria**

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

**Related Research**

- Sector Study | Commercial Bank (Jun 16)

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

Rating Type	Entity	
	Current (31-Jan-2017)	Previous (01-Feb-2016)
<b>Action</b>	Maintain	Initial
<b>Long Term</b>	A	A
<b>Short Term</b>	A1	A1
<b>Outlook</b>	Stable	Stable
<b>Rating Watch</b>	-	-

MCB Islamic Bank is a wholly owned subsidiary of MCB Bank Limited. MCB Bank 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. As per envisaged strategy to consolidate Islamic banking operations, Islamic Banking Group (IBG) operations of MCB were merged with MCBIBL; the related process has recently been completed. The effective date of merger stands September 30, 2015. This has given a boost to stand-alone operational profile of MCBIBL. Meanwhile, the management continues to follow its conservative business strategy, while gradually building a sound assets book and a diversified deposit base. The bank is in the process of establishing its operational infrastructure including branch network, technology implementation, and its risk management framework, besides continuing improvements in governance structure. The ratings incorporate inherent constraints faced by MCBIBL, mainly limited branch network, small deposit base, and high cost structure particularly in early years.

Islamic banking industry offers healthy growth opportunities. However, MCBIBL's prospects are dependent upon the management's ability to establish its position. Effective implementation of business strategy is important.

**About the Entity**

MCBIBL was formed as a banking company in May, 2014. MCBIBL 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, during past year, with an addition of 26 new branches and 34 acquired branches of MCB IBG, its network grew to 66 branches. MCB Islamic bank's deposits are 0.9% of total Islamic banking industry.

MCBIBL's BoD currently has seven members, whereas one position is vacant. Mr. Ahmad Ebrahim Hasham is the acting chairman of the board. Mr. Ali Muhammad Mahoon – Ex Group Head MCBIBG is the President of MCBIBL. 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.