



Rating Action

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PACRA Maintains Ratings of Allied Bank

The Pakistan Credit Rating Agency (PACRA) has maintained long term and short term entity ratings of Allied Bank Limited (ABL) at "AA+" (**Double A Plus**) and "A1+" (**A One Plus**), respectively. The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect demonstrated efficacy of ABL's strategy aimed at ensuring consistent profitability without compromising quality of other key variables. The bank remains focused on strengthening its footprints in the retail deposit market, enabling further improvement in deposit granularity in terms of concentration as well as funding cost. The deposit growth has been consistent, outpacing peers. While focusing on new to bank (NTB) relationships, there is also emphasis on deepening of link with the current customer base. The ratings recognize the management's concerted efforts in sustaining the sound asset quality, while selectively expanding its advances portfolio. The concentration in lending portfolio is relatively high, inline with bank's strategy of lending to public sector entities and large sized financially strong private groups with emphasis on their working capital and trade business needs.

Pakistan's banking landscape, particularly for banks like ABL, remains highly competitive and dynamic. ABL's ratings are dependent on further diversification in its revenue stream. Enhancement in system's share alongwith increased penetration in retail deposits and dilution in concentration of lending portfolio is crucial.

About the Bank ABL is a large sized bank with a system share of 7% in the total deposits of the industry. Ibrahim Group (IG), through Ibrahim Fibers Limited and family members, owns 84% of shareholding in ABL. Apart from interest in financial sector; IG is engaged in manufacturing of yarn and polyester staple fiber. ABL has a growing subsidiary - ABL Asset Management Company (sustained ~6.65% share in AUM's of industry at end-March'16).

The eight members BoD include the CEO, three directors from the sponsoring family, two independent directors and two non-executive directors. The GoP has withdrawn its nominee director; subsequent to the complete divestment of shareholding of SBP in ABL. Mr. Tariq Mahmood, carrying over 40 years of banking experience, is the CEO of ABL since June'2013. Mr. Tahir Hassan Qureshi, associated with ABL for the last eight years, is the COO since Jun'15. They are supported by a management team of experienced executives.

Applicable Criteria and Related Research

- Banking Sector - Viewpoint | Dec-15
- Bank Rating Methodology

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