



Rating Action

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Applicable Criteria and Related Research

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

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PACRA Maintains Ratings of Bank AL Habib Limited

The Pakistan Credit Rating Agency (PACRA) has maintained long-term and short-term entity ratings of Bank AL Habib Limited (BAHL) at "AA+" (Double A Plus) and "A1+" (A One Plus), respectively. The ratings of two privately placed, unsecured subordinated TFC-IV and TFC-V issues of PKR 3,000mln and PKR 4,000mln have been maintained at "AA" (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect BAHL's strong performance, exceptional asset quality and healthy financial profile emanating from a strong equity base. The bank's business strategy derives strength from its strong positioning in niche market - trade finance. The ratings draw comfort from the bank's experienced management team, prudent risk management policies and deep rooted relationship with its clients - borrowers as well as depositors. The ratings incorporate the bank's ability to capitalize on its branch network, expansion of deposit base via product innovation and diversification of advances portfolio by establishing relations with business entities in various sectors. Notably, the bank's deposits emanate from a wide client base, with a major proportion from individuals.

Pakistan's banking landscape - particularly for established banks like BAHL - is experiencing high competition and requires continued dynamism to retain the existing market position. Meanwhile, a meaningful representation in the bigger financial services spectrum, along with effective execution of the management's initiative to further strengthen its operational infrastructure and market positioning is important.

About the Bank:

BAHL, incorporated in Oct 1991, operates with a network of 553 branches / sub-branches, including 31 Islamic branches at end-Mar16. The sponsors of BAHL are members of the Habib family - one of the oldest and most distinguished names in Pakistan's banking sector. At end-Dec15, BAHL represents ~5.2% (CY14 ~5.1%) of the total banking deposits

BAHL's ten-member BoD includes four representatives of Habib family and three independent members. Mr. Abbas D. Habib, the bank's CEO, has over four decades of experience in domestic and international markets. He is backed by a team of experienced professionals, most of whom have long association with the bank.

About the Debt Instruments:

At end-Mar16, BAHL has two unlisted TFCs of PKR 3,000mln and PKR 4,000mln, TFC IV was issued in Jun-11 at 15% p.a. (Yr 1-5) and 15.5% p.a. (Yr 6-10) for a tenor of 10yrs, callable in Jun-16 with prior approval from SBP, whilst TFC V was issued in Mar-16 at 6M-KIBOR Plus 75bps p.a. payable semi-annually in arrears. The tenor of this instrument is 10 years, callable in Mar-21 with prior approval of SBP.

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.