



Rating Action

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PACRA Upgrades Rating of The Bank of Punjab

The Pakistan Credit Rating Agency (PACRA) has upgraded the Long-term Entity Rating of The Bank of Punjab (BOP) to 'AA' (Double A) [previously 'AA-' (Double A Minus)]. Short-term Entity Rating is maintained at 'A1+' (A One Plus). The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The rating reflects the improved risk profile of BOP. The bank's capitalization and, hence, risk absorption capacity has witnessed sizeable uptick. Capital Adequacy Ratio (CAR) of the bank clocks in at 12%, which would be further beefed up with the issue of proposed TFCs. There has been an appreciable improvement in the bank's profitability, over the years, on the back of improved interest income and capital gains, supplementing its equity base. The bank witnessed reduction in the non-performing loans inherited by the current management, though further recovery is taking time. Moreover, continued support from the sponsors - the Government of Punjab (GoPb) - provides requisite fiscal space; fresh capital injection and Letters of Comfort (LOCs) against provisioning for certain infected exposures are valid till 2018. Association with GoPb has benefited the bank in terms of a sustainable deposit base. Further synergies with GoPb are being unfolded. The bank envisages growth in advances wherein the criteria is higher margins with sustained risk profile. Meanwhile, expansion in deposit base with low cost focus, while attracting a wide customer range, is on the cards.

The ratings are dependent on the financial risk profile of the bank, mainly emanating from sustenance of capital adequacy and continued healthy profitability trend inline with the management's plans. Meanwhile, improvement in asset quality and upholding better governance standards remain imperative.

About the Bank:

The Bank of Punjab, established under the BOP Act 1989, is listed on Pakistan Stock Exchange (PSX). The bank operates a vast network of 408 branches, mainly concentrated in Punjab (87%). The Government of Punjab (GoPb) holds majority stake in BOP (58%), whereas the rest is widely dispersed.

Mr. Naeemuddin Khan, the President of the Bank since Sep-08, has four decades of diversified banking experience and has been associated with reputed international and domestic banks during his career. The senior management consists of seasoned bankers. The current team has played a pivotal role in the bank's revival; their continuity and cohesiveness is critical for successful execution of the envisaged business plan.

Applicable Criteria and Related Research

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

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