



## Rating Action

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## PACRA MAINTAINS RATINGS OF FAYSAL BANK

PACRA has maintained the long-term and the short-term entity ratings of Faysal Bank (FBL) at "AA" (Double A) and "A1+" (A One plus), respectively. 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 FBL's sustained focus on cautious growth amid efforts to strengthen its relative positioning. This entails prudent asset deployment and endeavors to achieve efficiency in operations, while reducing the funding cost. The bank's deposit base has experienced cost rationalization, though it has some signs of concentration. Faysal Bank earns good spreads, also supported by structure of its lending book. The Bank showed growth in Corporate Banking segment in the form of acquiring project financing syndication in CPEC-based projects. There is need to harness recoveries while arresting NPLs. This, while supporting the bank's profitability, would provide cushion against risk absorption capacity. FBL's conversion into Islamic banking is a medium-term plan, which must be rolled out carefully to avoid business disruption or squeeze. Meanwhile, the ratings recognize FBL's association with a foreign business group (Dar Al Maal Al-Islami Trust) as a key factor.

The ratings are dependent on bank's ability to sustain improvement in its financial profile. This is important since most peer banks have gained in terms of their size and profitability matrix in recent years. Any material weakening in asset quality, in turn, putting pressure on bank's profitability and risk absorption capacity would have negative implications for the ratings.

### About the Company:

FBL, operating with a network of 280 branches (including 68 Islamic branches), holds ~3% share in total banking deposits at end-Dec15. Bahrain based Ithmaar Bank, with an asset base of USD 8.1bln and equity of USD 0.41bln at end-Dec15 - holds the majority shareholding (66.8%) of FBL. Ithmaar, an Islamic retail bank, is engaged in underwriting business, advisory services and project financing. Dar Al-Maal Al-Islami Trust - holding 46% share in Ithmaar - is the principal sponsor of FBL.

The seven-member BoD, including the Chairman, comprises a mix of experienced bankers and businessmen having domestic and international experience. The CEO, Mr. Nauman Ansari, is associated with FBL for long and carries local and international banking experience. He is supported by an experienced and qualified team.

### Applicable Criteria and Related Research

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

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