



Rating Action

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Analyst

Usama Liaquat
(+92-42-35869504)
usama.liaquat@pacra.com
www.pacra.com

PACRA MAINTAINS ENTITY RATINGS OF HABIB METROPOLITAN BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Habib Metropolitan Bank Limited 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 incorporate HabibMetro's association with a diversified and financially strong international bank - Habib Bank AG Zurich (HBZ). This association helps in assimilating the parent's best practices into HabibMetro, while fostering control environment with enhanced level of oversight. The ratings recognize the bank's healthy financial profile reflected in its strong CAR, pre-dominantly constituting Tier-I Capital (~17% at end Dec-15) and improved profitability. The bank experienced relatively high infection compared to most peers, though coverage is high. Lately it has been successful in arresting the trend. The bank sustained its dominant position in its niche market - self-liquidating trade finance - though with higher focus of other banks, the competition is increasing. The bank needs to diversify its deposit while bringing efficiency to its cost structure.

The ratings are dependent on the management's ability to uphold the position in its market niche while marking its footprints in northern region in terms of business diversification and growth. Any weakening in asset quality, in turn, putting pressure on the bank's profitability and risk absorption capacity, may have negative implications for the ratings.

About the Bank:

HabibMetro, commencing operations in 1992, is listed on Pakistan Stock Exchange. The bank is a 51% owned subsidiary of HBZ. HBZ, incorporated in Switzerland in 1967, having a network of 315 branches (CY14: 278) spread across nine countries, is owned and managed by the Habib family. HabibMetro makes substantial contribution towards consolidated assets of Habib Bank AG Zurich. HabibMetro has a nationwide network of 276 branches including 20 islamic branches, spread over 77 cities.

The CEO, Mr. Sirajuddin Aziz, carries experience of over three decades in domestic and international banking industry. A professional team of senior executives assists the Chief Executive.

Applicable Criteria and Related Research

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

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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.

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