



## Rating Action

Lahore : 30-Jun-2011

## Analyst

Rai Umar Zafar  
(+92-42-35869504)  
rai.umar@pacra.com  
www.pacra.com

## PACRA MAINTAINS RATINGS OF FAYSAL BANK LIMITED

PACRA has maintained the long-term and the short-term entity ratings of the bank at "AA" (**Double A**) and "A1+" (**A One plus**), respectively. Meanwhile, the ratings of the bank's unsecured, subordinated TFC-III issue of PKR 800mln has been maintained at "AA-" (**Double A Minus**). These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments.

The ratings reflect FBL's ability to withstand tough operating environment and maintain its market standing. The recent merger of Royal Bank of Scotland (Pakistan) Limited (RBS) with and into FBL has ushered a new era of opportunities and challenges. While earning assets of the bank have witnessed substantial rise with simultaneous expansion in deposit base, FBL's infected portfolio as well as operating cost structure has increased. Cognizant of the situation, the management is focusing on swift operational integration and consolidation with an aim to reduce infection and rationalize cost structure. FBL's association with a financially sound business group (Dar Al Maal Al-Islami Trust) remains a key rating factor.

The ratings are dependant on the bank's ability to effectively execute its medium-term business strategy while capitalizing on the potential of the combined entity in terms of its operating platform and extended market outreach. Cohesiveness and stability in the senior management and swift reduction in expanded cost structure while holding profitable business streams would be critical. The efficacy of the risk management framework aimed at improving the overall asset quality of the bank also remains important.

### About the bank

The bank started operations in Pakistan in 1987, first as a branch set up of Shamil Bank of Bahrain and since 1994, as a locally incorporated bank under the present name of Faysal Bank Limited. Ithmaar Bank, a subsidiary of Dar Al-Maal Al-Islami Trust (DMI), holds the majority shareholding (67%) of FBL.

The eight-member BoD includes one nominee of DMI, the CEO, and six renowned professional, including the Chairman. The CEO, Mr. Naved A. Khan, joined FBL in Mar08 and has extensive local and international banking experience.

### Debt Instrument

FBL has inherited on acquisition of Royal Bank of Scotland (Pakistan) Limited an outstanding unsecured subordinated TFC-III, issued in February 2005 for a tenor of 8 years. The instrument carries mark-up at a floating rate of latest 6-month KIBOR plus 1.9%, payable semi-annually. Principal redemption is in four equal annual installments, and has commenced from Aug-10.

### Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

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 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.