



Rating Action

Lahore : 23-Jan-2012

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PACRA downgrades ratings of Trust Investment Bank Limited; outlook is negative

The Pakistan Credit Rating Agency (PACRA) has downgraded the long-term entity ratings of Trust Investment Bank Limited (TIBL) to "**BBB-**" (Triple B Minus) [Previous: "BBB"] while maintaining the short term entity ratings at '**A3**' (A Three). Meanwhile the rating of TFC-III (PKR 600mln) has also been downgraded to '**BBB-**' (Triple B Minus) [Previous: "BBB"].

The ratings reflect continuous pressure on financial and business profile of the bank as evident from very low liquidity and recurring operating losses. Nevertheless, these ratings recognize the efforts of the management to subside the pressure, mainly through conversion of non earning assets in earning resources. This would help in improving liquidity position. The bank is currently pursuing few of its lenders for settlement of borrowings against certain assets, which are currently classified as non-earning. This, while rationalizing interest cost, is expected to bring overall leveraging down. Meanwhile, the sponsors are exploring options to bring a new equity partner in the bank. While significant progress on these initiatives is yet to materialize, certain changes in organizational structure have been made with the intention to strengthen operational framework of the bank.

The outlook on ratings is **negative** highlighting weakening risk absorption capacity and vulnerability of the bank to any kind of liquidity shock. The bank needs to hasten its efforts to achieve sustainable operational profitability, strengthen the true equity base, and generate liquidity to create cushion against unforeseen contingencies. In this regard, timely accomplishment of ongoing conversion of real estate assets into liquid assets to minimize mismatch between earning assets and interest bearing liabilities remain critical. Meanwhile, timely curing of non-compliance with regulatory capital and liquidity requirements is important.

About the TFC Issue : The bank issued its TFC-III of PKR 600 mln in July 2008. The instrument has a tenor of 5 years and a profit rate of 6 months KIBOR plus 1.8%. Principal redemption in 8 equal semi-annual installments commenced from Jan 2010 (outstanding principal: PKR 300mln). The management has confirmed that the recent installment (~PKR 96mln due on 04-Jan-2012) has been paid and is in the process of clearance.

About the company : TIBL, incorporated in July 1992, is listed on all the three stock exchanges. The chairman of seven-member board - Mr. Asif Kamal - is the key shareholder (Asif Kamal & Associates: 43%) and force behind the bank. Other board members are entrepreneurs and professionals with exposure to corporate and financial sector. Mr. Humayun Nabi Jan, who spearheaded the bank's consolidation in these challenging times, has resigned as CEO of the bank lately. Mr. Shahid Iqbal, a Chartered Account by profession is succeeding him. Mr. Iqbal has over two decades of experience at senior management and financial control positions.

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