



The Pakistan Credit Rating Agency Limited

# **BANK AL HABIB LIMITED (BAHL)**

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NOVEMBER 2017





**BANK AL HABIB LIMITED (BAHL)**

<b>BALANCE SHEET</b>	<b>30-Sep-17</b>	<b>31-Dec-16</b>	<b>30-Sep-16</b>	<b>31-Dec-15</b>
<b>Earning Assets</b>				
Advances (Net of Provision)	304,029	263,552	239,166	209,828
Debt Instruments	3,960	6,712	4,577	4,615
Total Finances	307,989	270,263	243,743	214,443
Investments	461,062	398,316	401,903	352,034
Others	8,966	7,461	10,545	10,671
	<u>778,017</u>	<u>676,041</u>	<u>656,191</u>	<u>577,147</u>
<b>Non Earning Assets</b>				
Non-Earning Cash	54,974	46,005	44,606	38,577
Deferred Tax	-	-	-	-
Net Non-Performing Finances	(2,194)	(2,112)	(1,678)	(2,539)
Fixed Assets & Others	32,798	31,461	26,380	26,788
	<u>85,578</u>	<u>75,354</u>	<u>69,307</u>	<u>62,826</u>
<b>TOTAL ASSETS</b>	<b>863,595</b>	<b>751,395</b>	<b>725,499</b>	<b>639,973</b>
<b>Interest Bearing Liabilities</b>				
Deposits	671,304	584,172	574,043	516,213
Borrowings	116,807	97,717	84,731	65,587
	<u>788,110</u>	<u>681,888</u>	<u>658,775</u>	<u>581,800</u>
<b>Non Interest Bearing Liabilities</b>	31,164	26,994	26,036	20,316
<b>TOTAL LIABILITIES</b>	<b>819,275</b>	<b>708,882</b>	<b>684,811</b>	<b>602,117</b>
<b>EQUITY (including revaluation surplus)</b>	<b>44,320</b>	<b>42,513</b>	<b>40,688</b>	<b>37,857</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>863,595</b>	<b>751,395</b>	<b>725,499</b>	<b>639,973</b>

<b>INCOME STATEMENT</b>	<b>30-Sep-17</b>	<b>31-Dec-16</b>	<b>30-Sep-16</b>	<b>31-Dec-15</b>
Interest / Mark up Earned	37,217	47,804	36,277	50,293
Interest / Mark up Expensed	(18,020)	(23,133)	(17,614)	(25,476)
<b>Net Interest / Markup revenue</b>	<b>19,197</b>	<b>24,672</b>	<b>18,664</b>	<b>24,817</b>
Other Income	6,606	5,052	3,339	4,511
<b>Total Revenue</b>	<b>25,802</b>	<b>29,724</b>	<b>22,003</b>	<b>29,328</b>
Non-Interest / Non-Mark up Expensed	(15,104)	(17,198)	(13,399)	(14,997)
Pre-provision operating profit	10,698	12,526	8,604	14,330
Provisions	(166)	638	782	(1,999)
Pre-tax profit	10,532	13,164	9,386	12,332
Taxes	(4,131)	(5,045)	(3,959)	(4,927)
<b>Net Income</b>	<b>6,401</b>	<b>8,119</b>	<b>5,427</b>	<b>7,405</b>

<b>Ratio Analysis</b>	<b>30-Sep-17</b>	<b>31-Dec-16</b>	<b>30-Sep-16</b>	<b>31-Dec-15</b>
<b>Performance</b>				
ROE	23.8%	24.0%	22.3%	25.0%
Cost-to-Total Net Revenue	58.5%	57.9%	60.9%	51.1%
Provision Expense / Pre Provision Profit	1.6%	-5.1%	-9.1%	13.9%
<b>Capital Adequacy</b>				
Equity/Total Assets	4.5%	4.8%	4.6%	5.0%
Capital Adequacy Ratio as per SBP	12.6%	14.2%	15.2%	13.8%
<b>Funding &amp; Liquidity</b>				
Liquid Assets / Deposits and Borrowings	62.5%	62.3%	65.8%	65.9%
Advances / Deposits	45.0%	44.8%	41.4%	40.2%
CASA deposits / Total Customer Deposits	82.7%	79.8%	77.7%	76.1%
<b>Intermediation Efficiency</b>				
Asset Yield	6.9%	7.7%	7.9%	9.2%
Cost of Funds	3.3%	3.7%	3.8%	4.6%
Spread	3.6%	4.0%	4.1%	4.7%

## CREDIT RATING SCALE & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS
<b>AAA</b>  <b>AA+</b> <b>AA</b> <b>AA-</b>  <b>A+</b> <b>A</b> <b>A-</b>	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.  <b>Very high credit quality.</b> Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.  <b>High credit quality.</b> Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	<b>A1+:</b> The highest capacity for timely repayment.  <b>A1:</b> A strong capacity for timely repayment.  <b>A2:</b> A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.  <b>A3:</b> An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.  <b>B:</b> The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>  <b>BB+</b> <b>BB</b> <b>BB-</b>	<b>Good credit quality.</b> Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.  <b>Moderate risk.</b> Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.	<b>A3:</b> An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
<b>B+</b> <b>B</b> <b>B-</b>	<b>High credit risk.</b> A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.	<b>B:</b> The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
<b>CCC</b> <b>CC</b> <b>C</b>	<b>Very high credit risk.</b> Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.	<b>C:</b> An inadequate capacity to ensure timely repayment.
<b>D</b>	Obligations are currently in default.	

<b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.	<b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.	<b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	<b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults, or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information
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**Disclaimer:** PACRA's ratings are an assessment of the credit standing of entities/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's 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.



**Name of Issuer**  
**Sector**  
**Type of Relationship**

BANK AL-HABIB LIMITED  
 Banking  
 Solicited

**Purpose of the Rating**

Independent Risk Assessment  
 Regulatory Requirement

**Rating History**

Dissemination Date	Long Term	Outlook	Action
17-Nov-17	AA	Stable	Preliminary

**Instrument Details**

Instrument	Size of Issue (PKR mln)	Tenor (yrs) & Maturity	Profit Frequency	Rate	Trustee
PPTFC-VI: Unsecured, subordinated	PKR 7,000mln Inclusive of a Green Shoe option of PKR 2,000mln	Perpetual	Semi-annual	6M-KIBOR+150bps	Pak Brunei Investment Co. Limited

**Related Criteria and Research**

Rating Methodology  
 Sector Research

Bank Rating Methodology  
 Banking Sector - Viewpoint | June - 17

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[Rating Team Statement](#)

**Rating Procedure**  
 Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

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[Probability of Default \(PD\)](#)

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