



Rating Action

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PACRA ASSIGNS RATINGS TO ARIF HABIB RUPALI BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term rating of **A** (Single A) and a short-term rating of **A1** (A one) to Arif Habib Rupali Bank Limited (AHRB). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

While assigning these ratings, PACRA has recognized the proposed merger of Arif Habib Securities Limited (AHSL) with and into the bank. The ratings are placed on the **Rating Watch** pending the completion of the merger process.

The ratings reflect AHRB's substantially enhanced risk absorption capacity subsequent to the proposed merger of AHSL with and into the bank due to significant expansion in equity base. As a result of merger, a sizeable and sustainable income stream would be added that would provide much needed comfort in initial years of establishing core-banking operations. Meanwhile, the bank has inducted an experienced senior management team, which is focusing on the preliminary building blocks by implementing a business plan and putting in place requisite infrastructure including establishing a branch network, taking IT initiatives and instigating risk management systems and procedures. The success of the bank will be inevitably linked to the success of these steps.

Subsequent to the merger, the bank would have robust capitalization with equity of around PKR 12bln. This would provide an edge over smaller banks having obligation to inject additional equity every year to meet the prudential requirement. At the same time, this would provide substantial cushion and comfort – in terms of both equity / assets and Capital Adequacy Ratio – to buildup its loan portfolio

About the bank: AHRB, incorporated in December 2005, commenced its commercial operations in August 2006 subsequent to merger of Rupali Bank Limited (Pakistan Branch) with and into the bank. Currently, Arif Habib Group, through its main holding company – AHSL – holds the majority shareholding – about 90% – of the bank. Subsequent to the planned merger of AHSL with and into the bank, AHRB would be the flagship company of the group. The bank would have the second largest private sector asset management company and a leading brokerage house as its subsidiaries. Additionally, it would have strategic investments mainly in fertilizer and cement sector companies.

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