



Rating Action

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PACRA UPDATES RATINGS OF THE BANK OF PUNJAB

The Pakistan Credit Rating Agency (PACRA) maintains long-term and short-term entity ratings of the Bank of Punjab at "AA-" and "A1+", respectively. Meanwhile, the outlook on the ratings continues to remain "Negative". These ratings denote very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

The ratings primarily reflect strong association of the bank with the Government of Punjab as majority shareholder. This association has benefited the bank in terms of capital acquisition though at a cost, sustainable - indeed growing - deposit base, and relaxation for provisioning against major infected exposures. Nevertheless, the standalone financial profile of the bank is relatively weak. This is attributed to sizeable non-earning assets - mainly non-performing loans - having a dual impact on the bank's net interest margin and heightened provisioning requirement.

The new management has taken several initiatives to streamline the bank's operations, strengthen systems and controls, and improve efficiency though the ensuing results lag behind targeted achievement. However, a sizeable portion of the infected portfolio is expected to be declassified as a result of recent recovery and restructuring exercise. This would reduce the provisioning requirement while adding to the bank's revenue generation ability, enabling the bank to achieve pre-provisioning break-even on a MoM basis. Furthermore, a further capital injection is planned shortly. As these plans are executed, it would lead the bank to comply with the regulatory requirements over the medium term.

About the bank

The Bank of Punjab, established under the BoP Act 1989 and listed on all three stock exchanges of the country, operates a vast network - largely in Punjab - of 272 branches. The Government of Punjab (GoPb) maintains majority stake in BoP (51%), whereas, 13% is owned by Employees Old Age Benefit Institution (EOBI) and the rest by various individuals, financial institutions, and mutual funds.

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