



Rating Action

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PACRA REVIEWS RATINGS OF THE BANK OF PUNJAB

The Pakistan Credit Rating Agency (PACRA) has assigned long-term and short-term entity ratings of “AA-” and “A1+”, respectively, to the Bank of Punjab (BoP) with negative outlook.

The ratings primarily reflect the strong ownership structure of BoP and demonstrated support of the major shareholder in terms of capital injection and providing a stable deposit base. The new management has taken several initiatives to streamline the bank’s operations, strengthen systems and controls, and improve efficiency which are expected to benefit the bank, going forward.

BoP’s performance prospects are subdued due to sizeable non-earning assets, mainly NPLs, and, in turn, higher provisioning requirement, further accentuated by constrained socio-economic environment. Although the drag on the bank’s risk absorption capacity was mitigated, to a certain extent, by timely injection of equity (PKR 10bln) by the government of Punjab - the major shareholder - the bank’s CAR remains below the minimum regulatory requirement of 10%. Meanwhile, the bank has not released its accounts since Jan-09. However, due relaxations in this regard have been permitted to the bank by the Regulator.

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 273 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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