



Rating Action

Lahore: (12-March-2008)

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PACRA MAINTAINS RATINGS OF FIRST DAWOOD INVESTMENT BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating at “A+” (Single A plus), and the short-term rating at “A1” (A One) of First Dawood Investment Bank Limited (FDIB). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The rating of secured TFC of PKR 345mln has also been maintained at “AA-” (Double A minus). This rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payments of financial commitments.

The ratings reflect FDIB’s strong risk absorption capacity supplemented by substantial amount of unrecognised reserves. The ratings also recognize the volatility risk attached with the bank’s profitability, an outcome of higher contribution of capital market operations towards the same. In the wake of intensifying competition in the sector, the management’s ongoing efforts at expanding and diversifying the revenue base, and developing a prudent risk management and control environment are also taken into account. While fee-based income is showing growth, it will take some time before a sizeable and stable revenue stream from this source could emerge.

About the TFC Issue: FDIB issued a perpetual TFC of PKR 345mln in July 07, with a put and call option. The TFC carries profit at a rate of 6 months KIBOR plus 165bps, payable semi-annually. The TFC is secured by way of first floating pari passu charge on leased assets and associated rental receivables of FDIB with a margin of 20%, providing adequate cushion to the TFC holders.

About the bank: Dawood Leasing Company Limited, operating since 1995, was converted into First Dawood Investment Bank (FDIB) in 2004. Since then FDIB has focused on developing alternative revenue resources, including fee-based income, to complement leasing business. FDIB, listed on the Karachi stock exchange, is sponsored by a branch of the reputed Dawood family, which is one of the largest business groups in Pakistan. Recently, the group has strengthened its standing in the financial sector by setting up an Islamic bank – Dawood Islamic Bank Limited. The company’s Chairman and Chief Executive, Mr. Rafique Dawood, is an MBA from Harvard Business School with extensive business experience.

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