



## Rating Action

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## Analyst

Samiya Mukhtar  
(+92-42-35869504)  
samiya@pacra.com  
www.pacra.com

## PACRA revises ratings of Trust Investment Bank Limited

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term entity ratings of Trust Investment Bank Limited (TIBL) to 'BBB' (Triple B - Positive Outlook) while maintaining the short term entity ratings at 'A3' (A Three). Meanwhile the rating of TFC-III (PKR 600mln) has been maintained at 'BBB' (Triple B). These ratings indicate that there is currently low expectation of credit risk.

The ratings reflect improving financial profile of the bank owing to management's initiatives including i) restructuring of maturity profile of bank's short term debt obligations, ii) design and work on a plan to improve liquidity position by converting non-earning assets into earning, and iii) improvement in profitability though mainly driven by reversals of provisioning. The leveraging of bank has reduced lately, primarily on account of sponsors' support in the form of subordinated loan and conversion of certain debt obligations into convertible preference shares. Nevertheless, achieving sustainable operational profitability and augmentation in the risk absorption capacity remain important.

The ratings are assigned positive outlook recognizing a) ongoing process for conversion of subordinate loan into capital, b) sale of land (Book value at end Mar-11: PKR 476.4mln) to bridge the gap between earning assets and interest bearing liabilities, and c) expected operational profitability within 2011. Nevertheless, extent and timely materialization of the bank's initiatives into sustainable revenue streams remains to be seen. Meanwhile, compliance with regulatory capital and liquidity requirements through either sponsor's support or with internal generation would remain important.

**About the TFC Issue:** The bank issued its TFC-III of PKR 600 mln in July 2008. The instrument has a tenor of 5 years and a profit rate of 6 months KIBOR plus 1.8% without any floor and cap, but a call option exercisable after 2 years. Principal is being repaid in 8 equal semi-annual installments which commenced from Jan 2010. The underlying security structure of this TFC consists of first charge on specific performing leased assets and related receivables with a 40% margin.

**About the company:** TIBL, incorporated in July 1992, is listed on all the three stock exchanges. A mix of individuals and corporates owns the majority shareholding (around 51%) in the bank. The seven-member board comprises distinguished entrepreneurs and professionals with exposure to corporate and financial sector. The Chief Executive Officer, Mr. Humayun Nabi Jan has over 25 years of diverse experience.

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