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Applicable Criteria

- Methodology | Basel III Compliant Debt Instruments (Mar18)

PACRA DISSEMINATED METHODOLOGY FOR RATING BASEL III COMPLIANT DEBT INSTRUMENTS OF BANKS

The Pakistan Credit Rating Agency has devised a rating methodology to rate Basel III compliant debt instruments, titled as “Basel III Compliant Debt Instruments”.

The methodology incorporates unique and respective criteria of Tier 1 and Tier 2 debt instruments. The salient criteria of Tier 1 and Tier 2 debt instruments that are considered crucial while forming a view on their ratings are derived from relevant regulations of SBP (BPRD Circular No. 6, dated August 15, 2013). Our methodology takes cue from international and regional methodologies of similar nature. As per the devised methodology, entity rating of a bank and Tier 2 TFC rating may not be equated except in case of a AAA rated institution. At the same time, the minimum notch-down for a Tier 1 instrument is two notches, whereas it is one notch for Tier 2 instrument.

In light of above, PACRA’s currently outstanding rating opinion on Tier 1 TFC is harmonized as follows:

Instrument	New (06-Apr-18)	Previous (30-Dec-17)
Bank Al Habib Limited TFC VI (Tier 1)	AA-	AA

There is no change in risk profile and outlook of the Bank.

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