



The Pakistan Credit Rating Agency Limited

# BANK ISLAMI PAKISTAN LIMITED

|            | <b>NEW<br/>[JUN-17]</b>    | <b>PREVIOUS<br/>[OCT-16]</b> |
|------------|----------------------------|------------------------------|
| Long-Term  | A+                         | A+                           |
| Short-Term | A1                         | A1                           |
| Action     | Maintain                   | Maintain                     |
| Outlook    | Rating Watch<br>Developing | Rating Watch<br>Developing   |

| <b>REPORT CONTENTS</b>                     |
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| 1. RATING ANALYSES                         |
| 2. FINANCIAL INFORMATION                   |
| 3. RATING SCALE                            |
| 4. REGULATORY AND SUPPLEMENTARY DISCLOSURE |

JUNE 2017





|   | <i>PKR mln</i>   |                  |                  |
|---|------------------|------------------|------------------|
| <b>BALANCE SHEET</b>                          | <b>31-Dec-16</b> | <b>31-Dec-15</b> | <b>31-Dec-14</b> |
|   | <b>CY16</b>      | <b>CY15</b>      | <b>CY14</b>      |
| <b>Earning Assets</b>                         |                  |                  |                  |
| Advances                                      | 75,415           | 67,215           | 40,636           |
| Debt Instruments                              | 1,018            | 1,100            | 1,331            |
| Total Finances                                | 76,433           | 68,315           | 41,968           |
| Investments                                   | 45,300           | 34,786           | 29,053           |
| Others  | 28,359           | 41,605           | 18,877           |
|   | <b>150,091</b>   | <b>144,706</b>   | <b>89,898</b>    |
| <b>Non Earning Assets</b>                     |                  |                  |                  |
| Non-Earning Cash                              | 8,921            | 9,036            | 6,361            |
| Deferred Tax                                  | 5,918            | 6,591            | -                |
| Net Non-Performing Finances                   | 2,402            | 1,579            | 731              |
| Fixed Assets & Others                         | 13,514           | 12,319           | 4,994            |
|   | <b>30,755</b>    | <b>29,525</b>    | <b>12,086</b>    |
| <b>TOTAL ASSETS</b>                           | <b>180,847</b>   | <b>174,231</b>   | <b>101,984</b>   |
| <b>Interest Bearing Liabilities</b>           |                  |                  |                  |
| Deposits                                      | 154,400          | 153,058          | 90,331           |
| Borrowings                                    | 6,066            | 3,198            | 561              |
|   | 160,466          | 156,256          | 90,892           |
| <b>Non Interest Bearing Liabilities</b>       | 7,936            | 6,789            | 4,225            |
| <b>TOTAL LIABILITIES</b>                      | <b>168,402</b>   | <b>163,044</b>   | <b>95,117</b>    |
| <b>EQUITY (including revaluation surplus)</b> | <b>12,445</b>    | <b>11,186</b>    | <b>6,867</b>     |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>         | <b>180,846</b>   | <b>174,231</b>   | <b>101,984</b>   |
| <b>INCOME STATEMENT</b>                       | <b>31-Dec-16</b> | <b>31-Dec-15</b> | <b>31-Dec-14</b> |
|   | <b>CY16</b>      | <b>CY15</b>      | <b>CY14</b>      |
| Profit / Return Earned                        | 10,128           | 8,834            | 7,812            |
| Return Expensed                               | (5,791)          | (5,119)          | (4,459)          |
| <b>Net Revenue</b>                            | <b>4,336</b>     | <b>3,715</b>     | <b>3,353</b>     |
| Other Income                                  | 638              | 570              | 632              |
| <b>Total Revenue</b>                          | <b>4,974</b>     | <b>4,285</b>     | <b>3,985</b>     |
| Other Expenses                                | (6,160)          | (5,188)          | (3,498)          |
| Pre-provision operating profit                | (1,186)          | (903)            | 487              |
| Provisions                                    | 2,030            | 631              | (17)             |
| Pre-tax profit                                | 844              | (272)            | 470              |
| Taxes   | (391)            | 76               | (156)            |
| <b>Net Income</b>                             | <b>452</b>       | <b>(196)</b>     | <b>314</b>       |
| <b>RATIO ANALYSIS</b>                         | <b>31-Dec-16</b> | <b>31-Dec-15</b> | <b>31-Dec-14</b> |
|   | <b>CY16</b>      | <b>CY15</b>      | <b>CY14</b>      |
| <b>Performance</b>                            |                  |                  |                  |
| ROE   | 4.2%             | -2.4%            | 5.3%             |
| Cost-to-Total Net Revenue                     | 126.7%           | 122.9%           | 88.7%            |
| Provision Expense / Pre Provision Profit      | 171.1%           | 69.8%            | 3.6%             |
| <b>Capital Adequacy</b>                       |                  |                  |                  |
| Equity/Total Assets                           | 6.0%             | 5.9%             | 6.1%             |
| Capital Adequacy Ratio as per SBP             | 13.4%            | 12.3%            | 17.0%            |
| <b>Funding &amp; Liquidity</b>                |                  |                  |                  |
| Liquid Assets / Deposits and Borrowings       | 32.7%            | 27.1%            | 39.6%            |
| Advances / Deposits                           | 50.4%            | 44.9%            | 45.5%            |
| CASA deposits / Total Customer Deposits       | 70.2%            | 67.1%            | 60.6%            |
| <b>Intermediation Efficiency</b>              |                  |                  |                  |
| Asset Yield                                   | 6.7%             | 7.6%             | 9.4%             |
| Cost of Funds                                 | 3.6%             | 4.1%             | 5.3%             |
| Spread  | 3.1%             | 3.4%             | 4.1%             |
| <b>Outreach</b>                               |                  |                  |                  |
| Branches                                      | 321              | 317              | 213              |

## CREDIT RATING SCALE & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

| <b>LONG TERM RATINGS</b> |   | <b>SHORT TERM RATINGS</b>   |
|--------------------------|---|---|
| <b>AAA</b>               | <b>Highest credit quality.</b> Lowest expectation of credit risk.<br>Indicate exceptionally strong capacity for timely payment of financial commitments.  | <p><b>A1+:</b> The highest capacity for timely repayment.</p> <p><b>A1:</b> A strong capacity for timely repayment.</p> <p><b>A2:</b> A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>A3:</b> An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>B:</b> The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>C:</b> An inadequate capacity to ensure timely repayment.</p> |
| <b>AA+</b>               | <b>Very high credit quality.</b> Very low expectation of credit risk.   |   |
| <b>AA</b>                | Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.   |   |
| <b>AA-</b>               |   |   |
| <b>A+</b>                | <b>High credit quality.</b> Low expectation of credit risk.   |   |
| <b>A</b>                 | The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.  |   |
| <b>A-</b>                |   |   |
| <b>BBB+</b>              | <b>Good credit quality.</b> Currently a low expectation of credit risk.   |   |
| <b>BBB</b>               | The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.   |   |
| <b>BBB-</b>              |   |   |
| <b>BB+</b>               | <b>Moderate risk.</b> Possibility of credit risk developing.  |   |
| <b>BB</b>                | There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.                                  |   |
| <b>BB-</b>               |   |   |
| <b>B+</b>                | <b>High credit risk.</b>  |   |
| <b>B</b>                 | A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.   |   |
| <b>B-</b>                |   |   |
| <b>CCC</b>               | <b>Very high credit risk.</b> Substantial credit risk   |   |
| <b>CC</b>                | “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default. |   |
| <b>C</b>                 |   |   |
| <b>D</b>                 | Obligations are currently in default.   |   |

**Outlook (Stable, Positive, Negative, Developing)**  
Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

**Rating Watch**  
Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.

**Suspension**  
It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

**Withdrawn**  
A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults, or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information

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[Name of Rated Entity](#)  
[Sector](#)  
[Type of Relationship](#)

BankIslami Pakistan Limited  
 Banking  
 Solicited

[Purpose of the Rating](#)

Regulatory Requirement  
 Independent Risk Assessment

[Rating History](#)

| Dissemination Date | Long Term | Short Term | Outlook                 | Action       |
|--------------------|-----------|------------|-------------------------|--------------|
| 25-Oct-16          | A+        | A1         | Rating Watch/Developing | Maintain     |
| 06-May-16          | A+        | A1         | Developing              | Rating Watch |
| 08-May-15          | A+        | A1         | Rating Watch            | Maintain     |
| 17-Apr-15          | A+        | A1         | Stable                  | Upgrade      |
| 30-Jun-14          | A         | A1         | Positive                | Maintain     |
| 15-Jul-13          | A         | A1         | Positive                | Maintain     |
| 29-Jun-12          | A         | A1         | Stable                  | Maintain     |

[Applicable Criteria and Related Research](#)

Banking Rating Methodology  
 Islamic Banking - View Point | Feb -17

[Rating Analysts](#)

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[Rating Team Statement](#)

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[Probability of Default \(PD\)](#)

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