



The Pakistan Credit Rating Agency Limited

THE BANK OF PUNJAB (BOP)

INSTRUMENT RATING REPORT

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OCTOBER 2017



The Pakistan Credit Rating Agency Limited
The Bank of Punjab (BOP)

BALANCE SHEET	30-Jun-17	31-Dec-16	30-Jun-16	31-Dec-15	31-Dec-14
	1H17	Annual	1H16	Annual	Annual
Earning Assets					
Advances (Net of NPL)	281,901	238,968	222,015	193,272	141,472
Debt Instruments	7,706	4,695	8,168	7,098	1,583
Total Finances	289,606	243,664	230,183	200,370	143,055
Investments	230,084	194,712	159,018	168,610	152,671
Others	11,211	14,646	6,825	7,911	34,057
	530,902	453,022	396,027	376,891	329,783
Non Earning Assets					
Non-Earning Cash	44,883	36,438	36,581	28,905	24,553
Deferred Tax	6,835	6,480	6,359	7,906	9,845
Net Non-Performing Finances	18,774	23,434	24,817	26,461	29,461
Fixed Assets & Others	26,073	25,840	25,768	32,120	26,727
	96,565	92,192	93,525	95,392	90,587
TOTAL ASSETS	627,467	545,214	489,552	472,284	420,370
Interest Bearing Liabilities					
Deposits	528,797	453,220	429,983	374,961	342,291
Borrowings	47,931	44,329	13,538	57,236	46,744
	576,727	497,549	443,521	432,198	389,035
Non Interest Bearing Liabilities					
	20,763	19,811	19,774	17,408	12,009
TOTAL LIABILITIES	597,490	517,360	463,295	449,605	401,043
EQUITY (including revaluation surplus)	29,977	27,855	26,257	22,678	19,327
Total Liabilities & Equity	627,467	545,214	489,552	472,284	420,370
INCOME STATEMENT	30-Jun-17	31-Dec-16	30-Jun-16	31-Dec-15	31-Dec-14
Interest / Mark up Earned	16,002	29,674	14,603	31,266	29,522
Interest / Mark up Expensed	(8,842)	(17,430)	(8,654)	(20,199)	(20,526)
Net Interest / Markup revenue	7,160	12,244	5,949	11,068	8,996
Other Income	1,845	3,636	2,344	5,989	1,790
Total Revenue	9,005	15,880	8,293	17,057	10,786
Non-Interest / Non-Mark up Expensed	(4,916)	(8,464)	(3,701)	(7,666)	(6,250)
Pre-provision operating profit	5,252	9,075	5,479	11,026	5,536
Provisions	(1,451)	(1,025)	(1,234)	(3,496)	(1,229)
Pre-tax profit	3,801	8,050	4,245	7,529	4,307
Taxes	(1,612)	(3,192)	(1,477)	(2,781)	(1,519)
Net Income	2,189	4,858	2,767	4,748	2,787
Ratio Analysis	30-Jun-17	31-Dec-16	30-Jun-16	31-Dec-15	31-Dec-14
Performance					
ROE	36%	22%	28%	27%	20%
Cost-to-Total Net Revenue	55%	53%	45%	45%	58%
Provision Expense / Pre Provision Profit	28%	11%	23%	32%	22%
Capital Adequacy					
Equity/Total Assets	4%	4%	5%	4%	4%
Capital Adequacy Ratio as per SBP	12.6%	12.3%	12.0%	10.5%	10.2%
Funding & Liquidity					
Liquid Assets / Deposits and Borrowings	50%	47%	46%	42%	49%
Advances / Deposits	57%	58%	57%	59%	50%
CASA deposits / Total Customer Deposits	75%	71%	71%	66%	64%
Intermediation Efficiency					
Asset Yield	6%	7%	8%	9%	10%
Cost of Funds	3%	4%	4%	5%	6%
Spread	3%	3%	4%	4%	4%
Outreach					
Branches	453	453	408	406	364



STANDARD RATING SCALES & 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.

LONG TERM RATINGS		SHORT TERM RATINGS
AAA	<p>Highest credit quality. Lowest expectation of credit risk.</p> <p>Indicate exceptionally strong capacity for timely payment of financial commitments.</p>	<p>A1+: The highest capacity for timely repayment.</p> <p>A1: A strong capacity for timely repayment.</p> <p>A2: A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p>A3: An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p>B: The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p>C: An inadequate capacity to ensure timely repayment.</p>
AA+ AA AA-	<p>Very high credit quality. Very low expectation of credit risk.</p> <p>Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</p>	
A+ A A-	<p>High credit quality. Low expectation of credit risk.</p> <p>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.</p>	
BBB+ BBB BBB-	<p>Good credit quality. Currently a low expectation of credit risk.</p> <p>The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances or economic conditions are more likely to impair this capacity.</p>	
BB+ BB BB-	<p>Moderate risk. Possibility of credit risk developing.</p> <p>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.</p>	
B+ B B-	<p>High credit risk.</p> <p>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.</p>	
CCC CC C	<p>Very high credit risk.</p> <p>“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.</p>	
D	Obligations are currently in default.	

<p>Rating Watch</p> <p>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. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.</p>	<p>Outlook (Stable, Positive, Negative, Developing)</p> <p>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’.</p>	<p>Suspension</p> <p>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, a suspended rating should be considered withdrawn.</p>	<p>Withdrawn</p> <p>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, or e) the entity/issuer defaults.</p>
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Disclaimer: PACRA's rating is an assessment of the credit standing of an entity/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

THE BANK OF PUNJAB
BOP - TFC II - Redemption Schedule

Redemption Date	Redemption Amount	Outstanding Balance
	<i>PKR</i>	
1	20.06.2018	1,000,000
2	20.12.2018	1,000,000
3	20.06.2019	1,000,000
4	20.12.2019	1,000,000
5	20.06.2020	1,000,000
6	20.12.2020	1,000,000
7	20.06.2021	1,000,000
8	20.12.2021	1,000,000
9	20.06.2022	1,000,000
10	20.12.2022	1,000,000
11	20.06.2023	1,000,000
12	20.12.2023	1,000,000
13	20.06.2024	1,000,000
14	20.12.2024	1,000,000
15	20.06.2025	1,000,000
16	20.12.2025	1,000,000
17	20.06.2026	1,000,000
18	20.12.2026	1,000,000
19	20.06.2027	2,491,000,000
20	20.12.2027	2,491,000,000