



The Pakistan Credit Rating Agency Limited

# ALBARAKA BANK (PAKISTAN) LIMITED RATING REPORT

	NEW [DEC-17]	PREVIOUS [JUN-17]
Long-Term	A	A
Short-Term	A1	A1
Outlook	Positive	Positive
Rating Watch	No	No

REPORT CONTENTS
1. RATING ANALYSES
2. FINANCIAL INFORMATION
3. RATING SCALE
4. REGULATORY AND SUPPLEMENTARY DISCLOSURE

DECEMBER 2017





<b>BALANCE SHEET</b>	<b>30-Sep-17</b> 9MCY17	<b>31-Dec-16</b> CY16	<b>31-Dec-15</b> CY15	<b>31-Dec-14</b> CY14
<b>Earning Assets</b>				
Advances	62,781	63,944	46,506	45,658
Debt Instruments	2,052	2,227	1,192	1,258
Total Finances	64,833	66,171	47,697	46,916
Investments	16,277	22,375	16,166	17,945
Others	8,386	3,677	3,392	13,747
	<b>89,497</b>	<b>92,223</b>	<b>67,256</b>	<b>78,608</b>
<b>Non Earning Assets</b>				
Non-Earning Cash	7,960	18,725	10,847	6,465
Deferred Tax	3,383	2,873	1,392	1,541
Net Non-Performing Finances	2,866	2,841	1,139	1,723
Fixed Assets & Others	10,088	10,137	6,298	6,012
	<b>24,297</b>	<b>34,576</b>	<b>19,676</b>	<b>15,741</b>
<b>TOTAL ASSETS</b>	<b>113,794</b>	<b>126,799</b>	<b>86,932</b>	<b>94,348</b>
<b>Interest Bearing Liabilities</b>				
Deposits	93,955	105,843	71,644	80,223
Borrowings	4,491	4,652	5,865	5,317
	98,446	110,495	77,509	85,539
<b>Non Interest Bearing Liabilities</b>	4,771	4,914	3,150	2,908
<b>TOTAL LIABILITIES</b>	<b>103,217</b>	<b>115,409</b>	<b>80,659</b>	<b>88,447</b>
<b>EQUITY (including revaluation surplus)</b>	<b>10,578</b>	<b>11,390</b>	<b>6,273</b>	<b>5,901</b>
<b>Total Liabilities &amp; Equity</b>	<b>113,794</b>	<b>126,799</b>	<b>86,932</b>	<b>94,348</b>

<b>INCOME STATEMENT</b>	<b>30-Sep-17</b> 9MCY17	<b>31-Dec-16</b> CY16	<b>31-Dec-15</b> CY15	<b>31-Dec-14</b> CY14
Profit / Return Earned	5,015	5,158	6,269	6,683
Return Expensed	(2,280)	(2,795)	(3,791)	(4,513)
<b>Net Revenue</b>	<b>2,735</b>	<b>2,363</b>	<b>2,478</b>	<b>2,170</b>
Other Income	804	874	656	727
<b>Total Revenue</b>	<b>3,540</b>	<b>3,237</b>	<b>3,135</b>	<b>2,896</b>
Admin and Other Expenses	(3,679)	(3,502)	(2,854)	(2,594)
Pre-provision Operating Profit	(140)	(265)	281	302
Provisions	(794)	164	125	(85)
Pre-tax profit	(933)	(101)	407	217
Taxes	333	(55)	(166)	(71)
<b>Net Income / (Loss)</b>	<b>(600)</b>	<b>(156)</b>	<b>240</b>	<b>146</b>

<b>Ratio Analysis</b>	<b>30-Sep-17</b> 9MCY17	<b>31-Dec-16</b> CY16	<b>31-Dec-15</b> CY15	<b>31-Dec-14</b> CY14
<b>Performance</b>				
ROE	-9.7%	-1.8%	3.9%	2.5%
Cost-to-Total Net Revenue	105.0%	108.3%	91.6%	89.7%
Provision Expense / Pre Provision Profit	-568.8%	62.0%	-44.6%	28.2%
<b>Capital Adequacy</b>				
Equity/Total Assets	9.1%	8.7%	7.2%	6.4%
Capital Adequacy Ratio as per SBP	11.2%	10.3%	14.5%	14.2%
<b>Funding &amp; Liquidity</b>				
Liquid Assets / Deposits and Borrowings	31.8%	43.6%	38.9%	37.3%
Advances / Deposits	69.9%	63.1%	66.5%	58.6%
CASA deposits / Total Customer Deposits	74.7%	74.7%	75.3%	62.6%
<b>Intermediation Efficiency</b>				
Asset Yield	7.4%	6.6%	8.6%	8.8%
Cost of Funds	2.9%	3.0%	4.6%	5.5%
Spread	4.5%	3.6%	4.0%	3.4%
<b>Outreach</b>				
Branches	186	224	135	130



## Regulatory and Supplementary Disclosure

### Repayment Schedule Sukuk

Sukuk Amount (PKR mln)	2,000
Issued Amount (PKR mln)	2,000
Period (years)	7
Repayment	Semianually
Pricing	6M KIBOR +125bps

### ALBARAKA BANK (PAKISTAN) Limited | Sukuk | Redemption Schedule

Serial No.	Due Date for Repayment	Actual Date for Repayment	6 Month KIBOR	Margin	Applicable Rate	Required Distribution Amount	Profit Repayment	Total Principal Outstanding	Total Payment dur every HY
	26-Sep-14							2,000,000,000	
1	26-Mar-15	26-Mar-15	10.18%	1.25%	11.43%	142,858,000	113,360,548	1,857,142,000	256,218,548
2	26-Sep-15	26-Sep-15	7.94%	1.25%	9.19%	142,858,000	86,037,065	1,714,284,000	228,895,065
3	26-Mar-16	26-Mar-16	6.60%	1.25%	7.85%	142,858,000	67,101,303	1,571,426,000	209,959,303
4	26-Sep-16	26-Sep-16	6.36%	1.25%	7.61%	142,858,000	60,284,207	1,428,568,000	203,142,207
5	26-Mar-17	26-Mar-17	6.05%	1.25%	7.30%	142,858,000	51,714,162	1,285,710,000	194,572,162
6	26-Sep-17		6.36%	1.25%	7.61%	142,858,000	49,323,358	1,142,852,000	192,181,358
7	26-Mar-18		6.36%	1.25%	7.61%	142,858,000	43,128,103	999,994,000	185,986,103
8	26-Sep-18		6.36%	1.25%	7.61%	142,858,000	38,362,510	857,136,000	181,220,510
9	26-Mar-19		6.36%	1.25%	7.61%	142,858,000	32,345,964	714,278,000	175,203,964
10	26-Sep-19		6.36%	1.25%	7.61%	142,858,000	27,401,661	571,420,000	170,259,661
11	26-Mar-20		6.36%	1.25%	7.61%	142,858,000	21,563,825	428,562,000	164,421,825
12	26-Sep-20		6.36%	1.25%	7.61%	142,858,000	16,440,812	285,704,000	159,298,812
13	26-Mar-21		6.36%	1.25%	7.61%	142,858,000	10,781,686	142,846,000	153,639,686
14	26-Sep-21		6.36%	1.25%	7.61%	142,846,000	5,479,964	-	148,325,964
						<b>2,000,000,000</b>			

Note : Actual payment made on due date, whereas 6M KIBOR is subject to change in future.

**Jun-17**

## 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. Indicate exceptionally strong capacity for timely payment of financial commitments.	<b>A1+:</b> The highest capacity for timely repayment.  <b>A1:</b> A strong capacity for timely repayment.  <b>A2:</b> A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.  <b>A3:</b> An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.  <b>B:</b> The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.  <b>C:</b> An inadequate capacity to ensure timely repayment.
<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

**Disclaimer:** PACRA's ratings are an assessment of the credit standing of entities/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.



## Regulatory and Supplementary Disclosure

[Name of Issuer](#)

AlBaraka Bank (Pakistan) Limited  
AlBaraka Bank (Pakistan) Limited | Sukuk | Sep -14  
Banking  
Solicited

[Name of Issue](#)

[Sector](#)

[Type of Relationship](#)

[Purpose of the Rating](#)

Regulatory Requirement  
Independent Risk Assessment

[Rating History](#)

Dissemination Date	Long Term	Outlook	Action
29-Dec-17	A	Stable	Maintain
30-Jun-17	A	Stable	Maintain
22-Sep-16	A	Stable	Rating Watch
25-Jun-16	A	Stable	Maintain
26-Jun-15	A	Stable	Maintain
25-Sep-14	A	Stable	Initial
13-Jun-14	A	Stable	Preliminary

[Instrument Detail](#)

Nature of Instrument	Size of Issue (PKR mln)	Tenor (yrs)	Security Details	Trustee
Sukuk	200,000	7	Subordinate Unsecured privately placed Sukuk	Pak Brunei Investment Company

[Redemption Schedule](#)

Attached Annexure

[Applicable Criteria and Reputed Research](#)

Banking Rating Methodology  
Islamic Banking - Viewpoint | Feb-17

[Rating Analysts](#)

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[Rating Team Statement](#)

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