



Rating Action

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PACRA ASSIGNS RATINGS TO AL BARAKA BANK (PAKISTAN) LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned the long-term and short-term entity ratings of “A” (Single A) and “A2” (A Two) respectively to Al Baraka Bank (Pakistan) Limited (Al Baraka Bank). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect Al Baraka Bank's association with a strong sponsoring group – Al Baraka Banking Group (ABG). It incorporates the impact of positive synergies emanating from the recent merger in terms of common operating platform, improved profile, and extended market outreach. While progressing towards the integration process, the management is well geared to benefit from the expanded franchise through developing a sound business plan. However, the management's ability in developing a profitable business stream in the medium-term while successfully restraining the high cost structure remains to be seen. The efficacy of the risk management framework aimed at improving the overall asset quality of the bank also remains important.

About the bank: Al Baraka Bank (Pakistan) Limited (formerly Emirates Global Islamic Bank Limited) commencing its operations in February 2007, operates with a network of 89 branches. Al Baraka Bank is currently 49.6% owned by ABG through its subsidiary Al Baraka Islamic Bank B.S.C. – Bahrain (ABIB). The remaining shareholding is mainly held by Emirates Investment Group (EIG), UAE and Al Rajhi family, Saudi Arabia. ABIB is in the process of increasing its stake in Al Baraka Bank by end-Dec10. Subsequently, a right issue of PKR 800mln will be done within 1QCY2011 to meet the MCR requirement of PKR 7bln as at December 2010.

Al Baraka Banking Group (ABG), incorporated in the Kingdom of Bahrain, is one of the largest Islamic banking and financial services institution in the world. ABG with an asset base of USD 15bln at end-Sep10 and rated “BBB-” for long-term and “A3” for short-term by Standard and Poor's has an international network of 11 subsidiaries and 2 representatives offices with over 300 branches in 13 different countries in Asia, GCC region, middle east and Africa.

Going forward, the bank would have eleven member BoD comprising representatives of sponsoring groups and three independent directors. Mr. Shafqaat Ahmed – CEO – is a professional banker with over four decades of experience.

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