

Press Release

JCR-VIS Assigns A/A-1 Ratings to Al Baraka Bank (Pakistan) Limited

Karachi, July 4, 2011: JCR-VIS Credit Rating Company Limited has assigned entity ratings of 'A/A-1' (Single A/A-One) to Al Baraka Bank (Pakistan) Limited (ABPL). Outlook on the assigned ratings is 'Stable'.

ABPL is a subsidiary of Al Baraka Islamic Bank B.S.C. (C), Bahrain and is a member of Al Baraka Banking Group, Bahrain. The entity, ABPL, has emerged as a result of the amalgamation of Pakistan operations of Al-Baraka Islamic Bank B.S.C. (C) with and into Emirates Global Islamic Bank Limited. Post merger, ABPL is positioned as the second largest Islamic bank in Pakistan.

While exposure to corporate sector comprises the largest proportion of financings and will remain the bank's area of focus, ABPL plans to diversify its financing mix over time by building the necessary infrastructure to undertake SME and agricultural financing. Existing portfolio quality has room for improvement. The management expects improvement in the same, by way of recoveries against non-performing financings to be realized during the on-going year. Growth in financings is expected to remain limited during FY11, with plans to focus on top-tier clients, where the bank currently does not have much presence. Fresh funding generated by deposits is largely being channeled into GoP Ijarah sukuks.

Going forward, cost of funds needs to be rationalized to enhance spreads while revenue streams may also need to be developed further, including ancillary sources of income. Profitability target for the on-going year may be achieved provided increase in non-performing exposures is contained.

ABPL has received relaxation from the State Bank of Pakistan (SBP) for meeting the minimum capital requirement. In the on-going year, the bank may be able to achieve the target level of Rs. 6.5b as required by SBP, through internal capital generation. In subsequent years, ABPL may require external capital injection. Sponsors have indicated their intent to inject capital in the institution, to meet the timelines agreed with SBP. With a CAR of 15% to be maintained over the next 3 years, as required by SBP, capitalization is expected to remain adequate.

For further information on this rating announcement, please contact the undersigned Mr. Jamal Abbas Zaidi (Ext: 408) or Ms. Sobia Maqbool, CFA (Ext: 506) at 92-21-35311861 or fax to 92-21-35311873.

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