

## RATING REPORT

### Meezan Bank Limited (MBL)

**RATING ANALYSTS:**

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**RATING DETAILS**

Rating Category	Latest Rating	
	Long-term	Short-term
Instrument ( <b>Preliminary</b> )	AA-	N/A
Rating Outlook	Stable	
Rating Date	Jun 29, '16	

**COMPANY INFORMATION**

Incorporated in 1997	External auditors: M/s A.F. Ferguson & Co., Chartered Accountants
Public Limited Company	Chairman of the Board: Mr. Riyadh S.A.A. Edrees
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Irfan Siddiqui
Noor Financial Investment Co, Kuwait – 49.1%	
Pakistan Kuwait Investment Co. (Pvt.) Ltd. – 30.0%	
Islamic Development Bank, Jeddah – 9.3%	

**APPLICABLE METHODOLOGY(IES)**

**PRIMER - Commercial Banks (November 2015):** <http://www.jcrvis.com.pk/Images/Method-CommercialBanks201511.pdf>

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

### Meezan Bank Limited

### Appendix II

<b>FINANCIAL SUMMARY (Entity)</b>		<i>(amounts in PKR billions)</i>		
<b>BALANCE SHEET</b>	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>	
Total Investments	76.9	114.1	151.6	
Advances	215.8	183.3	133.5	
Total Assets	531.8	437.5	329.7	
Borrowings	13.6	15.5	11.4	
Deposits & other accounts	471.8	380.4	289.8	
Subordinated Loans	-	-	-	
Tier-1 Equity	24.8	22.3	17.6	
Net Worth	25.6	23.3	17.9	
<b>INCOME STATEMENT</b>				
	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>	
Net Mark-up Income	17.7	12.9	10.6	
Net Provisioning	0.62	0.56	0.09	
Non-Markup Income	4.6	4.8	3.5	
Operating Expenses	13.6	10.5	8.4	
Profit Before Tax	8.5	6.9	5.6	
Profit After Tax	5.0	4.6	4.0	
<b>RATIO ANALYSIS</b>				
	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>	<b>DEC 31, 2013</b>	
Market Share (Advances) (%)	4.5%	4.1%	3.3%	
Market Share (Deposits) (%)	5.1%	4.6%	3.8%	
Gross Infection (%)	3.3%	3.8%	3.6%	
Provisioning Coverage (%)	116.2%	109.6%	120.9%	
Net Infection (%)	0.1%	0.4%	0.2%	
Cost of deposits (%)	3.5%	4.6%	4.5%	
Net NPLs to Tier-1 Capital (%)	0.9%	2.7%	1.2%	
Capital Adequacy Ratio (C.A.R (%))	10.98%	11.88%	12.31%	
Markup Spreads (%)	4.5%	4.1%	5.1%	
Efficiency (%)	60.8%	62.1%	59.2%	
Basic ROAA (%)	1.9%	2.0%	1.9%	
ROAA (%)	1.1%	1.2%	1.3%	
ROAE (%)	20.4%	21.9%	22.6%	
Liquid Assets to Deposits & Borrowings (%)	57.1%	54.9%	54.7%	

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Appendix III**

Medium to Long-Term

**AAA**

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

**AA+, AA, AA-**

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

**A+, A, A-**

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

**BBB+, BBB, BBB-**

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

**BB+, BB, BB-**

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

**B+, B, B-**

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

**CCC**

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

**CC**

A high default risk

**C**

A very high default risk

**D**

Defaulted obligations

Short-Term

**A-1+**

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

**A-1**

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

**A-2**

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

**A-3**

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

**B**

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

**C**

Capacity for timely payment of obligations is doubtful.

**Rating Watch:** JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.jcrvis.com.pk/images/criteria\\_watch.pdf](http://www.jcrvis.com.pk/images/criteria_watch.pdf)

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

**(SO) Rating:** A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities

and not on the basis of the credit quality of the issuing entity alone.

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.jcrvis.com.pk/images/policy\\_ratings.pdf](http://www.jcrvis.com.pk/images/policy_ratings.pdf)

**'SD' Rating:** An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

**JCR-VIS Credit Rating Company Limited**

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

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## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Appendix IV			
<b>Name of Rated Entity</b>	Meezan Bank Limited				
<b>Sector</b>	Commercial Banks				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Instrument Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: INSTRUMENT</b>				
	29-Jun-2016	AA-	N/A	Stable	Preliminary
<b>Instrument Structure</b>	The proposed Sukuk will be unsecured, subordinated privately placed Tier 2 Sukuk amounting up to Rs. 6.0b (inclusive of Green Shoe Option of Rs. 2.0b). The Sukuk features 'Lock-in' and 'Loss absorbency' clause, is structured based on the principles of Modaraba and will have a tenor of 10 years.				
<b>Statement by the Rating Team</b>	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
<b>Probability of Default</b>	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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