From: Nasim Beg <nasimbeg@arifhabib.com.pk>
Sent: Thursday, September 2, 2021 12:19 PM
To: Muhammad Asim <muhammad.asim@mcbah.com>; Ahmed Jahangir Mcbahboard Jahangir <ajelahi@nishatmills.com>; Saqib Saleem <saqib.saleem@mcbah.com>
Cc: Saad Ahmed <saad.ahmed@mcbah.com>; Asif Mehdi <asif.mehdi@mcbah.com>; Altaf Faisal <altaf.faisal@mcbah.com>
Subject: RE: Requesting Credit Committee approval for Investment in Bank Al Habib Ltd TFC

Fine with me.

Regards

Nasim Beg

From: Muhammad Asim <muhammad.asim@mcbah.com>
Sent: 02 September 2021 07:08
To: Nasim Beg <nasimbeg@arifhabib.com.pk>; Ahmed Jahangir Mcbahboard Jahangir <ajelahi@nishatmills.com>; Saqib Saleem <saqib.saleem@mcbah.com>
Cc: Saad Ahmed <saad.ahmed@mcbah.com>; Asif Mehdi <asif.mehdi@mcbah.com>; Altaf Faisal <altaf.faisal@mcbah.com>
Subject: Requesting Credit Committee approval for Investment in Bank Al Habib Ltd TFC

Dear Sir

We request the board's approval for participation in Bank Al Habib Ltd Term Finance Certificate. Banks had been issuing Tier I instruments in recent years which we have been avoiding due to risk in the structure of instrument and this is a Tier II issue from a leading bank after a gap of several years. Bank Alhabib recently call back its earlier Tier II TFC and now issuing fresh instrument. We therefore request approval to invest about Rs. 2 bn from various funds and SMAs.

The TFC would be issued for a period of 10 years. The size of the issue is PKR 5,000 million inclusive of a greenshoe option of PKR 2,000 million.

Further details are mentioned in the below terms:

Issuer	Bank AL Habib Limited
Issue Amount	Up to PKR 5 billion, inclusive of a greenshoe option of PKR 2 billion
Tenor	Up to 10 years
Profit Rate	6-month KIBOR (Ask) plus 75 bps
Purpose	contribution towards SBL's Tier-II Capital (CAR) as per requirement prescribed by the SBP
Principal Payment	Redemption of 0.02% of issue amount per semi-annual period, in first 9 years and remaining issue amount two equal semi-annual installments of 49.82% each, in 10^{th} year
Call Option	Eligible after 5^{th} anniversary of the issue date, or any payment date thereafter
Security	Unsecured and Subordinated

Entity Rating	Long Term: AAA (Triple-A) by PACRA Short Term: A1+ (A One Plus) by PACRA
Expected Instrument Rating	AA+ (Double A Plus)

Our premise is based on the bank's adequate risk measures namely, profitability, coverage ratio, infection ratio, and capital buffers.

The bank has shown great deposit growth over the past few years while also managing to improve its deposit mix. The bank has also shown good growth in profitability in the past few years.

The profit rate on the Term Finance Certificate of 6 Months Kibor plus a margin of 75 bps will derive to a coupon rate of 8.31% (on current KIBOR). The profit rate and spread over KIBOR are fairly attractive compare to yields of other debt instruments of similar nature.

Considering the aforementioned factors and the comfortable position of the bank we intend to participate in the TFC collectively from various Advisory Mandates, Open End, and Pension Schemes. We propose to participate by an amount of PKR 2,000 million (40% of the issue size).

A detailed review of the bank is also attached for your perusal.

Regards
Asim

Muhammad Asim, CFA
CIO

MCB-ARIF HABIB
Savings and Investments Limited

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