

Bank Ratings Navigator		
Navigator date:	DRAFT	
Last rating action:	04 Sep 2014	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	EM Middle East and Africa	
Country:	United Arab Emirates	
Country IDR:		
Last action:		
Country ceiling:		
Macro prudential indicator:	1	
Bank systemic indicator:	bbb	
Bank Rating History		
Viability Rating (VR)		
04 Sep 14	bb	Upgrade
09 Sep 13	bb-	New Rating
Issuer Default Rating (IDR)		
04 Sep 14	A+ Stable	Affirmed
09 Sep 13	A+ Stable	New Rating
Support Rating Floor (SRF)		
04 Sep 14	A+	Affirmed
09 Sep 13	A+	New Rating
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
84	EM Middle East and Africa	Universal Commercial
11	United Arab Emirates	Universal Commercial
Relevant Criteria & References		
Global Financial Institutions Rating Criteria		
Macro-Prudential Risk Monitor (June 2014)		

	Peer Ratings	Operating Environment	Company Profile	Management	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+ Stable
a										a	A	A
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc										ccc	CCC	CCC
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor		Value	
Typical D-SIFI SRF for country's rating level (assuming high propensity)		A+	
Actual country D-SIFI SRF		A+	
Support Rating Floor:		A+	
Support Factors			
	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system		✓	
Size of potential problem		✓	
Structure of banking system			✓
Liability structure of banking system	✓		
Sovereign financial flexibility	✓		
Sovereign propensity to support system			
Track record of banking sector support	✓		
Resolution legislation		✓	
Government statements of support	✓		
Sovereign propensity to support bank			
Systemic importance			✓
Ownership	✓		
Liability structure of bank	✓		
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Drivers & Sensitivities	
Extremely High Probability Of State Support	AI Hilal Bank's (AHB) Issuer Default Ratings (IDRs), Support Rating and Support Rating Floor reflect Fitch Ratings' opinion that there would be an extremely high probability of external support from Abu Dhabi and the UAE authorities, if needed.
Small Domestic Franchise and Limited Track Record	Established in 2008, AI Hilal has a relatively small domestic franchise with about 2% market share of banking system loans and a limited track record in implementing its strategy.
Rapid Loan Growth	Growth has been higher than industry average in recent years and remained significant in 1H14. This could lead to a deterioration in asset quality as the loan book seasons.
High Concentration Risk	AHB's funded and unfunded exposures and customer deposits are more concentrated than peers, exposing it to event risk.
Weak, but Improving Profitability	Profitability is low and earnings less diversified than peers. Fitch expects profitability to improve further as this young islamic bank continues to build a track record.
Healthy Asset Quality	Retail NPLs have increased recently despite improving trends in the banking system. Nevertheless, loan loss coverage remains strong and overall asset quality is satisfactory compared to peers.
Acceptable Capital and Liquidity Ratios	Capital adequacy and liquidity have improved with the bank's Tier 1 sukuk issuance. Nevertheless, capital and liquidity ratio are deemed only adequate given high concentration risk on both sides of the balance sheet.
VR Upside Potential	Greater track record and evidence of strategy implementation without material deviation in asset quality could be positive for the rating.
VR Downside Potential	Downside risk could arise if the strong growth were to lead to a material deterioration in asset quality, profitability and capitalisation.
Analysts	
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Key Financial Ratios (27 Oct 2014)	AI Hilal Bank				Direct Peers Median				Region Sector Median				
	Number of Banks:				4				4				
	Statement:	FYE13	FYE12	FYE11	FYE10	FYE13	FYE12	FYE11	FYE10	FYE13	FYE12	FYE11	FYE10
Size (USDbn)													
Total assets	11	9	8	7	19	16	14	14	21	19	17	15	
Risk weighted assets (incl. Basel floor/cap)	8	7	6	5	15	13	11	11	18	14	12	12	
Total equity	1	1	1	1	2	2	1	1	3	2	2	2	
Fitch core capital (FCC)	1	1	1	1	2	2	1	1	2	2	2	2	
Asset Quality													
Growth of gross loans	18.5%	19.3%	27.6%	50.8%	17.8%	5.9%	6.6%	17.4%	10.9%	11.2%	9.9%	6.4%	
Impaired loans/gross loans	1.2%	1.3%	1.2%	0.3%	5.9%	7.1%	6.2%	4.9%	3.0%	3.3%	3.7%	4.9%	
Reserves for impaired loans/impaired loans	261.4%	231.3%	211.4%	400.8%	80.4%	65.0%	78.1%	63.3%	90.9%	85.0%	86.1%	80.4%	
Imp loans less reserves for imp Loans/FCC	-14.0%	-11.6%	-9.4%	-8.1%	8.0%	14.4%	11.9%	11.1%	1.7%	2.5%	2.4%	4.0%	
Loan impairment charges/avg gross loans	0.8%	1.2%	1.5%	1.3%	1.0%	1.2%	1.5%	1.2%	0.9%	1.0%	0.9%	0.9%	
Earnings and Profitability													
Net interest income/average earning assets	4.0%	4.1%	3.7%	3.7%	3.8%	3.8%	3.7%	3.4%	3.3%	3.3%	3.4%	3.3%	
Non-interest expense/gross revenues	54.1%	58.3%	58.0%	63.0%	50.7%	51.6%	48.0%	47.7%	46.8%	46.4%	46.5%	45.6%	
Loans & secs imp charges/pre-imp op. profit	33.2%	49.2%	60.9%	59.0%	28.8%	40.4%	43.8%	50.6%	22.0%	25.7%	23.7%	24.4%	
Operating profit/average total assets	1.3%	0.9%	0.6%	0.6%	1.5%	1.4%	1.3%	1.0%	1.8%	1.8%	1.7%	1.7%	
Operating profit/risk weighted assets	1.5%	1.0%	0.8%	0.8%	1.9%	1.7%	1.7%	1.2%	2.2%	2.4%	2.3%	2.3%	
Net income/average total equity	11.9%	8.6%	7.4%	6.9%	13.1%	10.0%	8.9%	6.6%	13.8%	14.4%	13.5%	14.1%	
Capital and Leverage													
Fitch core capital/risk weighted assets	13.0%	13.8%	12.7%	11.7%	14.8%	14.7%	13.1%	12.3%	15.0%	15.2%	14.3%	15.5%	
Fitch eligible capital/risk weighted assets	13.0%	13.8%	12.7%	11.7%	18.0%	17.4%	13.8%	13.0%	15.3%	15.6%	14.5%	14.7%	
Tangible common equity/tangible assets	10.2%	10.9%	9.6%	7.6%	10.7%	11.4%	10.4%	9.8%	11.2%	12.0%	11.5%	11.9%	
Core Tier 1 regulatory capital ratio									11.8%	11.3%	11.2%	10.7%	
Internal capital generation	11.2%	7.6%	6.6%	6.7%	9.2%	6.0%	6.2%	4.9%	8.2%	7.5%	6.7%	7.1%	
Funding and Liquidity													
Loans/customer deposits	99.3%	94.7%	101.0%	85.8%	92.8%	91.6%	97.6%	91.8%	91.8%	91.2%	90.1%	89.7%	
Interbank assets/interbank liabilities	99.0%	112.6%	52.8%	110.2%	165.2%	277.7%	168.7%	245.5%	101.0%	105.4%	126.7%	136.1%	
Customer deposits/total funding excl derivs	84.9%	90.9%	79.9%	78.6%	86.2%	85.8%	83.0%	85.3%	83.1%	83.0%	83.4%	83.8%	

Business Mix

(by profit or revenue to nearest 10%)

- Retail banking (30%)
- SME banking (0%)
- Corporate banking (50%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (0%)
- Insurance (0%)
- Other (20%)

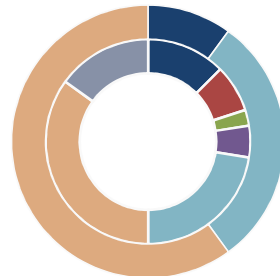


Outer: AI Hilal Bank
Inner: Direct Peers Average

Lending Type

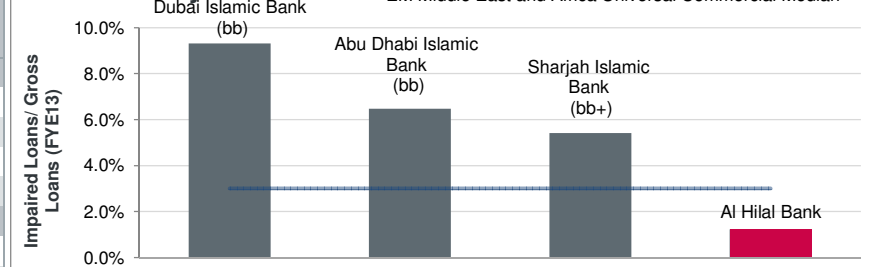
(by loans to nearest 10%)

- Resi mortgages (10%)
- Comm mortgages (0%)
- Asset finance (0%)
- Other secured (0%)
- Personal unsecured (30%)
- Comm unsecured (60%)
- FIs & Sovs (0%)
- High yield (0%)
- Other unsecured (0%)

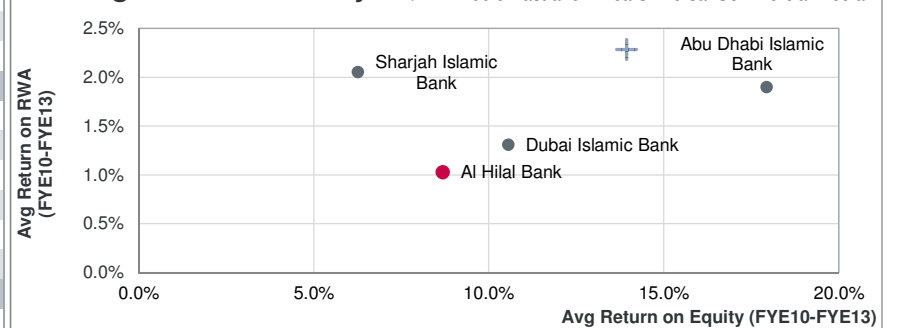


Outer: AI Hilal Bank
Inner: Direct Peers Average

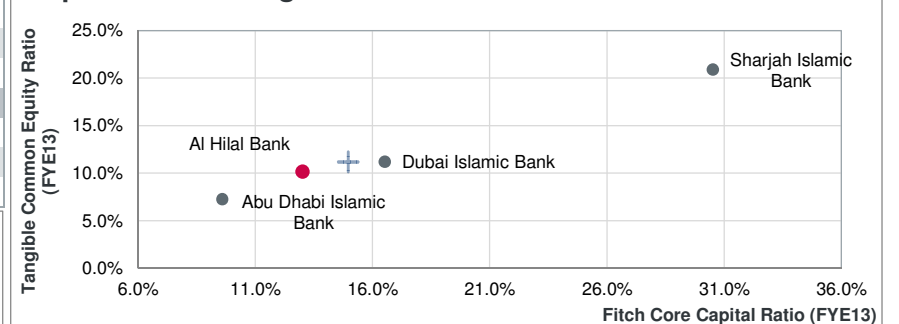
Asset Quality



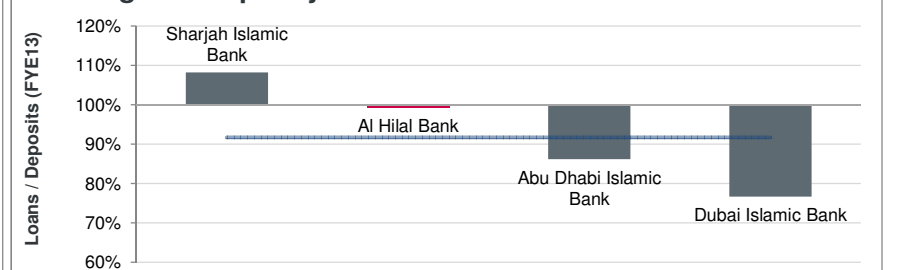
Earnings and Profitability



Capital and Leverage



Funding and Liquidity





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