

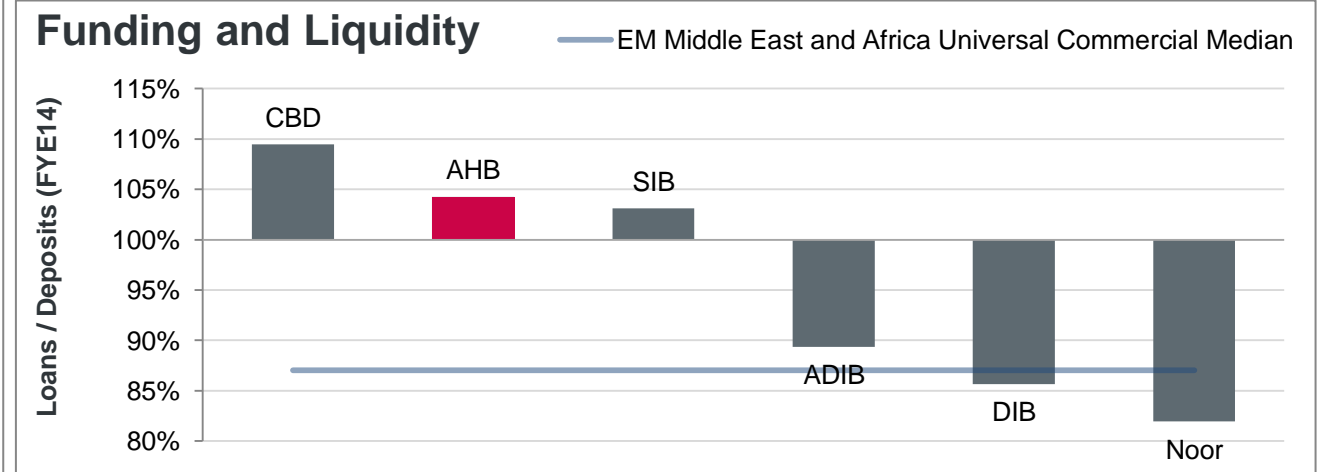
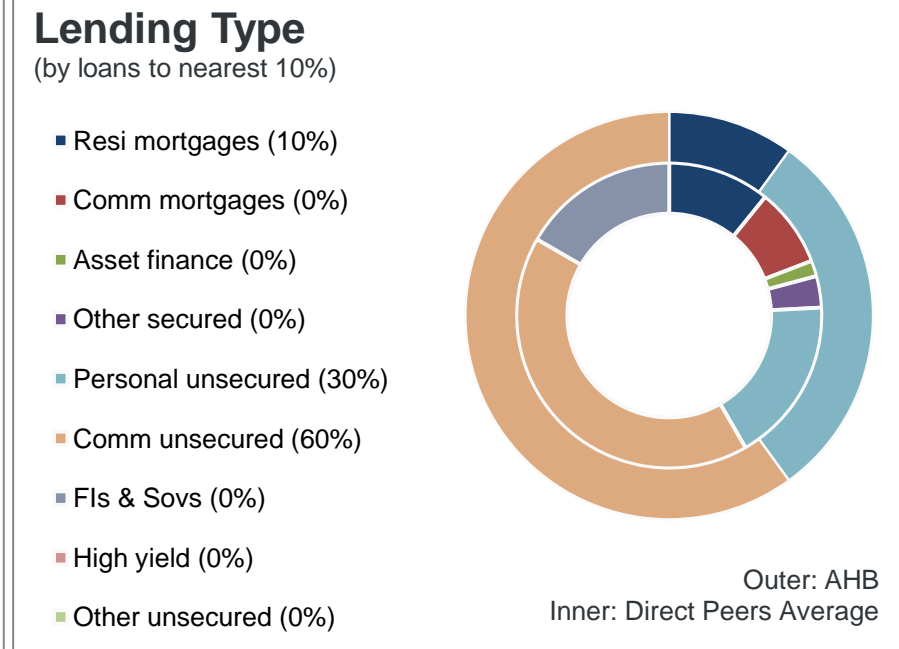
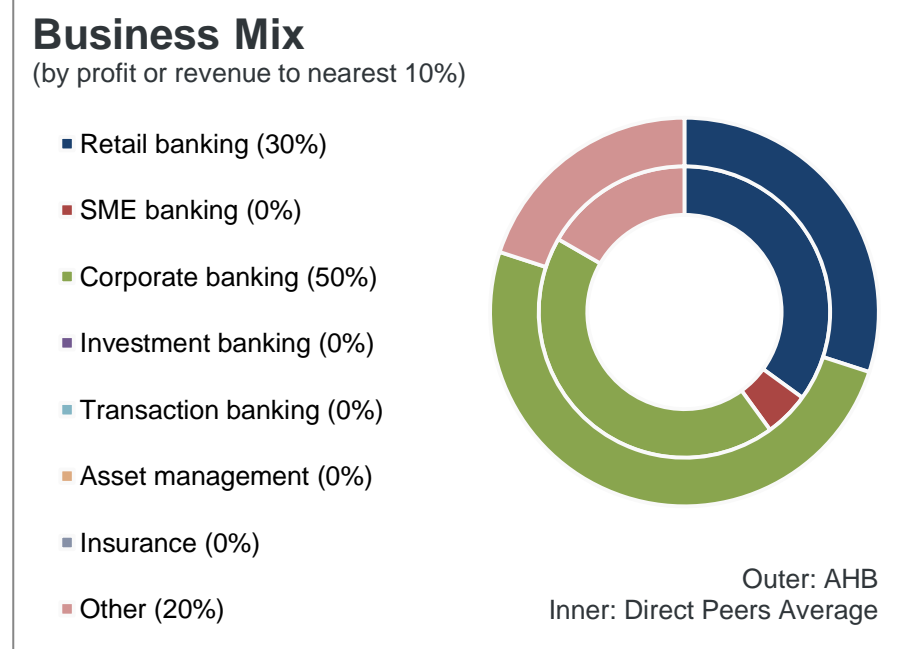
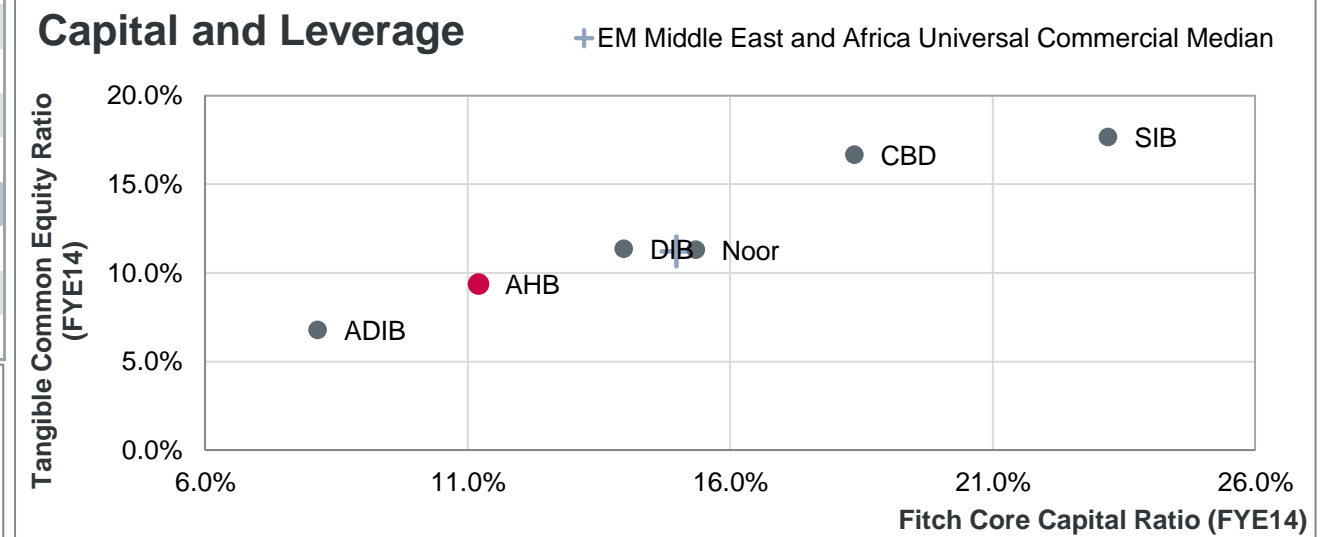
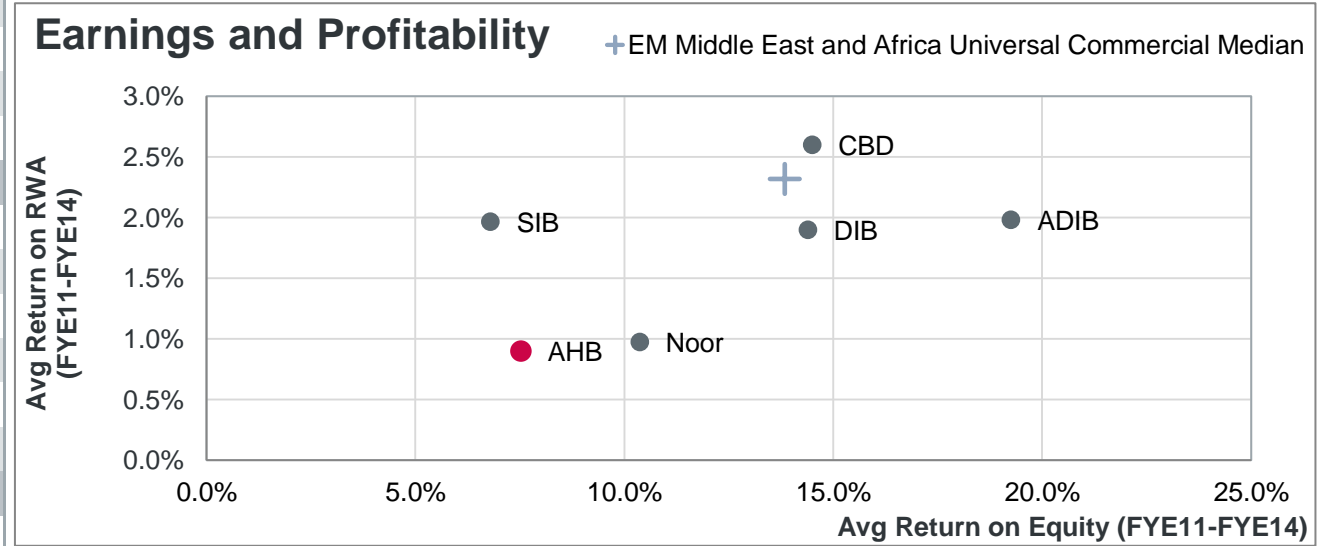
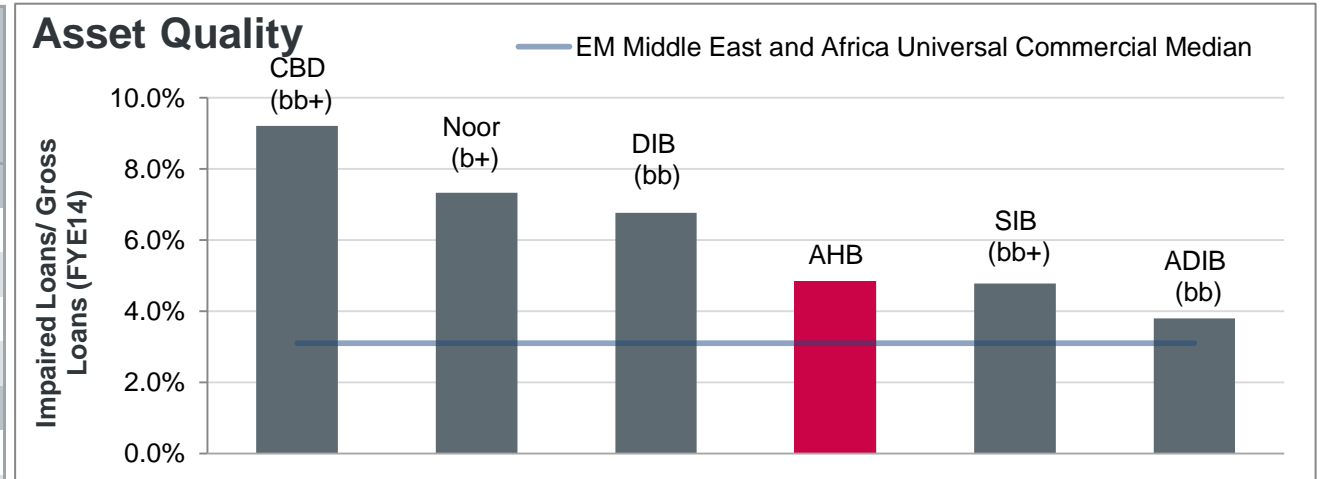
Banks Ratings Navigator		
Navigator date:	17 Aug 2015	
Last rating action:	05 Aug 2015	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	EM Middle East and Africa	
Country:	United Arab Emirates	
Country IDR:	n.a.	
Last action:	n.a.	
Country ceiling:	n.a.	
Macro prudential indicator:	1	
Bank systemic indicator:	bbb	
Bank Rating History		
Viability Rating (VR)		
05 Aug 15	bb	Affirmed
04 Sep 14	bb	Upgrade
09 Sep 13	bb-	New Rating
Issuer Default Rating (IDR)		
05 Aug 15	A+ Stable	Affirmed
04 Sep 14	A+ Stable	Affirmed
09 Sep 13	A+ Stable	New Rating
Support Rating Floor (SRF)		
05 Aug 15	A+	Affirmed
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		
75	EM Middle East and Africa Universal Commercial	
12	United Arab Emirates Universal Commercial	
Relevant Criteria & References		
Global Bank Rating Criteria (Mar 2015)		
Macro-Prudential Risk Monitor (Mar 2015)		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	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-SIB SRF for sovereign's rating level (assuming high propensity)			
Actual country D-SIB 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	
IDRs Driven by Extremely High Probability Of State Support	Al Hilal Bank's (AHB) IDRs are driven by an extremely high probability of support from the UAE and Abu Dhabi authorities if needed. This considers its significant Abu Dhabi government ownership that offsets its lower systemic importance in the UAE.
Small Domestic Franchise and Limited Track Record	Established in 2008, Al 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 2014. This could lead to a deterioration in asset quality as the loan book seasons.
Deteriorating Asset Quality But Remains Adequate	The bank's asset quality deteriorated in 2014 due to the impairment of a new large group of connected exposures. The NPL ratio went up to 4.8% (end-2013:1.2%). Aside from this exposure, asset quality metrics remain adequate and compare well to peers.
Acceptable Capital Ratios	Capital ratios are adequate but weaker than peers in light of the bank's high concentration. Capital ratios reduced significantly in 2014 due to high loan growth and the effect of the new group of large connected impaired exposures.
Adequate Funding and Liquidity	AHB's maturity profile improved with its Tier 1 sukuk issuance in 2014. Liquidity is underpinned by the bank's investment portfolio. However, liquidity ratios are deemed only adequate given the bank's highly concentrated deposit base.
VR Upside Potential	Further evidence of implementing its strategy and continuing to build its track record could be a positive rating driver, but is unlikely in the short term.
VR Downside Potential	Downside risk could arise if asset quality metrics continue to deteriorate, further impacting the bank's profitability and capital ratios.
Analysts	
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Key Financial Ratios (13 Aug 2015)	AHB				Direct Peers Median				Region Sector Median							
	Number of Banks:				6	6	6	6								
	Statement:				FYE14	FYE13	FYE12	FYE11	FYE14	FYE13	FYE12	FYE11	FYE14	FYE13	FYE12	FYE11
Size (USDbn)																
Total assets	11	11	9	8	12	11	10	9	23	20	17	16				
Risk weighted assets (incl. Basel floor/cap)	9	8	7	6	11	9	8	8	18	15	13	11				
Total equity	1	1	1	1	2	2	2	1	2	2	2	2				
Fitch core capital (FCC)	1	1	1	1	2	2	2	1	2	2	2	2				
Asset Quality																
Growth of gross loans	16.0%	18.5%	19.3%	27.6%	16.6%	17.8%	4.2%	1.9%	14.4%	10.0%	9.0%	7.6%				
Impaired loans/gross loans	4.8%	1.2%	1.3%	1.2%	5.8%	7.9%	9.3%	9.0%	3.1%	3.2%	3.8%	4.1%				
Reserves for impaired loans/impaired loans	100.2%	261.4%	231.3%	211.4%	95.9%	82.9%	65.0%	67.1%	99.9%	95.8%	91.6%	89.7%				
Imp loans less reserves for imp Loans/FCC	-0.1%	-14.0%	-11.6%	-9.4%	1.6%	7.2%	16.5%	18.2%	0.0%	0.4%	1.7%	2.4%				
Loan impairment charges/avg gross loans	2.5%	0.8%	1.2%	1.5%	0.9%	1.0%	1.3%	1.6%	0.8%	0.9%	1.0%	0.9%				
Earnings and Profitability																
Net interest income/average earning assets	4.1%	4.0%	4.1%	3.7%	4.0%	3.8%	3.8%	3.7%	3.1%	3.3%	3.2%	3.2%				
Non-interest expense/gross revenues	49.0%	54.1%	58.3%	58.0%	44.4%	50.7%	51.6%	41.9%	43.6%	44.6%	46.3%	45.5%				
Loans & secs imp charges/pre-imp op. profit	89.2%	33.2%	49.2%	60.9%	25.3%	27.8%	40.4%	43.8%	19.2%	21.4%	27.1%	23.7%				
Operating profit/average total assets	0.2%	1.3%	0.9%	0.6%	1.7%	1.4%	1.4%	1.3%	1.9%	1.7%	1.7%	1.7%				
Operating profit/risk weighted assets	0.3%	1.5%	1.0%	0.8%	1.9%	1.9%	1.7%	1.7%	2.3%	2.2%	2.4%	2.3%				
Net income/average total equity	2.3%	11.9%	8.6%	7.4%	18.9%	13.1%	10.0%	8.9%	14.4%	13.7%	13.7%	13.6%				
Capital and Leverage																
Fitch core capital/risk weighted assets	11.2%	13.0%	13.8%	12.7%	14.7%	15.2%	15.7%	13.4%	15.0%	15.7%	15.9%	14.2%				
Fitch eligible capital/risk weighted assets	13.9%	13.0%	13.8%	12.7%	15.1%	18.9%	19.3%	14.1%	17.2%	15.1%	16.6%	14.5%				
Tangible common equity/tangible assets	9.4%	10.2%	10.9%	9.6%	11.3%	10.9%	12.0%	11.4%	11.2%	11.7%	12.0%	11.5%				
Core Tier 1 regulatory capital ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.0%	10.9%	10.9%	11.0%				
Internal capital generation	2.3%	11.2%	7.6%	6.6%	8.1%	7.6%	4.6%	6.2%	8.6%	7.3%	7.3%	6.3%				
Funding and Liquidity																
Loans/customer deposits	104.3%	99.3%	94.7%	101.0%	96.2%	92.8%	91.8%	102.4%	87.0%	87.4%	88.3%	88.2%				
Interbank assets/interbank liabilities	132.0%	99.0%	112.6%	52.8%	137.3%	248.9%	431.5%	182.2%	106.4%	113.1%	116.3%	140.2%				
Customer deposits/total funding excl derivs	90.6%	84.9%	90.9%	79.9%	90.0%	87.4%	85.8%	83.0%	83.1%	85.3%	84.0%	83.3%				



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