



**Rating Action**

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**Analyst**

Usman Khizer  
(+92-42-586 9504)  
ukhizer@pacra.com  
www.pacra.com

**PACRA ASSIGNS ENTITY AND TFC RATINGS TO ASKARI BANK LIMITED**

The Pakistan Credit Rating Agency (PACRA) has made downward adjustment to the long-term entity rating of Askari Bank Limited (AB) to “AA” (Double A), while maintaining the short-term rating at “A1+” (A One Plus). The first and the second unsecured, subordinated TFC issues of PKR 1,500mln have been assigned ratings of “AA-” (Double A Minus). The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The slippage in AB’s relative standing compared to some peer banks, which have demonstrated superior performance - both in terms of profitability and asset quality - was the main reason prompting one notch adjustment in the long-term rating. Otherwise, the bank maintains a strong capital structure supported by sound profitability, though lately under pressure mainly due to higher provisioning against NPLs. Moreover, the management, taking note of the fast changing banking dynamics, has put in place a well-conceived strategy, which, while improving the bank’s performance and strengthening its risk management framework, is expected to help AB in ensuring its strong standing within the sector.

**About the bank:** AB, operating with a countrywide network of 121 branches plus one offshore banking unit (end-06), commenced its operations in 1992. Army Welfare Trust (AWT), with business interests spread across a wide range of sectors remains its principal shareholder. Serving and retired army officials nominated by AWT dominate the bank’s Board of Directors. However, while BODs of most other banks have higher representation of professionals and/or successful entrepreneurs, AB’s board is relatively constrained in terms of offering strategic guidance to the management.

The current President & Chief Executive, who assumed this position in early 2006, has extensive banking experience. The bank’s senior management team, though witnessing certain changes recently, comprises distinguished professionals.

**About the TFC issues:** AB has issued unsecured subordinated TFCs of PKR 1,500mln each for a tenor of 8 years in February 2005 and October 2005. The profit payment is made semi-annually, based on 6-month KIBOR *plus* 150bps. The principal will be redeemed in a bullet payment at the maturity of each instrument.

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