



## Rating Action

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## PACRA Maintains Ratings Of Askari Bank Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Askari Bank Limited (AKBL) at AA (Double A) and A1+ (A one plus), respectively. The ratings of three unsecured and subordinated TFC issues (PKR 1,500mln, PKR 1,500mln, PKR 3,000mln) have also been maintained at "AA-" (Double A Minus). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect AKBL's strong franchise supported by its brand "Askari" and association with Army Welfare Trust. Although the bank experienced sizable infection to its assets quality due to tough socio-economic environment resulting in provisioning and suspended income. However, the rising trend has lately been arrested and recovery prospects are sanguine. Askari Bank continues to have strong risk absorption capacity emanating from robust equity base and supplemented by a sound liquidity profile. The ratings recognize established organizational structure and focus of the management on improvement in system and control environment.

**The bank:** AKBL, with 235 branches at end-Mar11, commenced its operations in 1992. AKBL is sponsored by the Army Welfare Trust (AWT), which remains the principal shareholder (51%). AWT has business interests spread across a wide range of sectors. The overall control of the bank vests in eleven member Board of Directors. Mr. M.R. Mehkari, the President and Chief Executive of AKBL since 2008, joined the bank in 1992 and carries significant international and domestic experience. The bank's senior management team comprises experienced professionals.

**The TFC issues:** AKBL issued two 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.

The bank issued third unsecured, subordinated TFCs of PKR 3,000mln for a tenor of 10 years in October 2009. The profit payment is to be made semi-annually in arrears. Major portion of principal will be redeemed in four equal semi annual payments commencing after 8 years (April 2018).

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