



Rating Action

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Analyst

Salman Malik
(+92-42-3586 9504)
smalik@pacra.com

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 parentage and established brand name that help the bank in maintaining its market standing. Although the bank’s profitability was relatively constrained due to high provisioning, it maintains an adequate capital base. Nonetheless, adequate collateralization mitigated, to some extent, the impact of residue provisioning drag on equity. The bank has continued its focus to improve asset quality by enhancing recovery efforts and strengthening risk management controls.

The bank: AKBL, with 227 branches at end-Mar10, commenced its operations in 1992. AKBL is sponsored by the Army Welfare Trust (AWT), which remains the principal shareholder with a holding of 50.2%. AWT has business interests spread across a wide range of sectors.

The TFC issues: AKBL has 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 has issued a 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. 0.32% of the principal will be redeemed in the first 96 months and the remaining amount will be paid in four equal semi annual payments.

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