



Rating Action

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PACRA ASSIGNS POSITIVE OUTLOOK TO BANK OF KHYBER

The Pakistan Credit Rating Agency (PACRA) has assigned positive outlook to the ratings of The Bank of Khyber. Meanwhile, the long-term and short-term entity ratings are maintained at "A-" (Single A minus) "A2" (A two) respectively. The ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings primarily reflect the strong ownership structure of BoK and demonstrated support of the major shareholder (Government of Khyber Pakhtunkhwa) in terms of capital injection and providing a stable deposit base. The recently received equity, while improving the liquidity profile and capital base of the bank, is expected to support the bottom-line performance. The management intends to pursue a relatively aggressive strategy aiming at all round improvement - low cost deposit mobilization, branch expansion particularly outside KPK, selected large-ticket credit growth and, in turn, robust profitability. However, material progress on the bank's strategy is yet to take place.

The ratings have been assigned a 'positive outlook'; wherein institutionalization of risk management framework, development of a cohesive team, evolution of technology platform, dilution of deposit concentration along with seasoning of the loan book are key essentials. Meanwhile, any significant infection in asset quality and/or political intervention compromising the governance standards would impact negatively.

The bank: The Bank of Khyber (BOK) was established in 1991 under the BoK Act, passed by the Provincial Legislative Assembly of Khyber Pakhtunkhwa (formerly NWFP). It was awarded status of a scheduled bank in September 1994. The provincial government has majority stake (51%) in BoK, which is expected to go up further with planned right issue for which GoKP has already injected full amount.

Board composition is in line with the parameters set in the BoK Act. At present the Board comprises eight members, including the MD/CEO and one Executive Director. Mr. Bilal Mustafa, the MD/CEO of BoK since March 2008, possesses over 35 years banking experience in various capacities. Mr. Mustafa is ably spearheading the bank's progress, while restructuring most of its practices for good.

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