



Rating Action

Lahore: (30-Jun-10)

Analyst

Ali Eeman
(+92-42-3586 9504)
ali@pacra.com
www.pacra.com

PACRA UPGRADES ENTITY RATINGS OF BANK OF KHYBER; ASSIGNS POSITIVE OUTLOOK

The Pakistan Credit Rating Agency (PACRA) has upgraded long-term entity rating of Bank of Khyber (BoK) to **BBB+** (Triple B Plus) [previous: BBB (Triple B)], while maintaining short-term entity rating at “**A2**” (A two). These ratings denote low expectation of credit risk emanating from an adequate capacity for timely payment of financial commitments.

The ratings of BoK reflect its strong patronage with the government of Khyber Pakhtunkhwa – a majority shareholder (51%) of the bank. Meanwhile, the ratings acknowledge increased focus on more formalized policies and procedures and strengthening of operating platform, following the changes in top management. Nonetheless, the bank’s limited institutional profile in terms of small size, lack of brand equity, pressure on risk absorption capacity due to potential provisioning and constrained operating environment are key challenges.

The ratings have been assigned a **positive outlook** based on sponsor’s plan to inject equity to the tune of PKR 3bln in the bank. Timely completion of this transaction will be a key rating driver. At the same time, management’s ability to effectively implement its overall business strategy and strengthening of the systems and processes will remain crucial.

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 N.W.F.P). It was awarded status of a scheduled bank in September 1994. The provincial government has majority stake in BoK (51%), whereas, Ismail Industries and AKD with 15% & 5% holdings, respectively, are other major shareholders.

Board composition is in line with the parameters set in the BoK Act. At present the board comprises eight members, including the CEO. Mr. Bilal Mustafa, the CEO of BoK, possesses over 35 years banking experience in various capacities. Under the guidance of Mr. Mustafa, a restructuring exercise has been initiated aimed at improving quality of support systems, including IT infrastructure.

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings.

PACRA’s opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.