



Rating Action

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PACRA UPGRADES ENTITY RATING OF BANK OF KHYBER

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

The ratings reflect Bank of Khyber's strong association with the Government of Khyber Paktunkhwa (GoKP), a major shareholder in the bank. GoKP has demonstrated its support by agreeing to inject fresh capital to the tune of PKR 3bln in the bank. The flow of funds is expected soon, which, while ensuring compliance with regulatory requirements, will have a positive impact on the risk absorption capacity of the bank. Meanwhile, expanding outreach of the bank is expected to aid envisaged growth. Nonetheless, the bank's limited institutional profile in terms of small size, lack of brand equity, and constrained operating environment would remain key challenges.

The ratings would remain dependent on efficient utilization of new funds in strengthening the bank's earning and risk profile. Meanwhile, the management's ability to effectively implement its overall business strategy and strengthening of systems and procedures would remain critical.

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. The stake (currently 51%) would go up with planned equity injection.

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 since March 2008, possesses over 35 years banking experience in various capacities. Under the guidance of Mr. Mustafa, a restructuring exercise, aimed at improving quality of support systems, including IT infrastructure, is in process.

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