



RATING ACTION

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PACRA ASSIGNS RATING TO PROPOSED TFC ISSUE OF KASB BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of 'A-' (Single A minus) to the proposed privately placed subordinated TFCs of PKR 1,250mln to be issued by KASB Bank Limited (KBL). The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments

The rating recognizes the bank's quality management team, improving systems and controls, and expanding outreach. Cognizant of the bank's inherent limitations – moderate size, emergent network, and high funding costs – the management is in the process of developing a workable strategy in view of changing business dynamics while actively focusing on preserving its asset quality.

The outlook on the rating is negative, which highlights the possible deterioration in the bank's risk absorption capacity due to infection in its loan book. Moreover, the sizeable investment portfolio, inherited on merger is non-earning, whereby the timely completion of ongoing restructuring activity at the group level is important to free up bank's resources. At the same time, success of the bank in improving its earning ability remains to be seen.

The bank: KASB Bank Limited, incorporated in October 1994 and listed on all three stock exchanges, was acquired by KASB group in October 2002. The KASB Group, established by Khadim Ali Shah Bukhari in 1958, has a sizeable portfolio of investments in financial sector. The bank's seven member Board of Directors (BOD) has diverse experience and background and is involved in the development of the bank's strategy and monitors its execution. The chief executive, Mr. Muneer Kamal is an experienced banker with a distinguished profile. A core team of experienced professionals assists him.

Proposed TFC: The bank intends to issue unlisted unsecured and subordinated TFCs of PKR 1,250mln for a period of 5.5 years. The interest would be payable semi-annually at the rate of 6-month KIBOR plus 3.5%, while major portion of principal would be redeemed in the form of bullet payment at maturity

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