The Pakistan Credit Rating Agency Limited

Rating Report

JS Bank Limited | PPTFC | Dec-16

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
	A+	-	Stable	Maintain	-
25-Jun-2018	A+	-	Stable	Maintain	-
20-Dec-2017	A+	-	Stable	Maintain	-
22-Jun-2017	A+	-	Stable	Maintain	-
15-Feb-2017	A+	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The ratings reflect improving relative position of JS Bank in the country's competitive banking landscape. This stems from enhanced system share in deposit and advances. The bank was able to maintain its customer deposit base at 9MCY18. The bank's borrowings from financial institutions decreased, alongside decline in SBP refinance. The increased liquidity has been deployed in advances (26% rise on YOY basis). The growth is substantial and needs continuous vigilance. NPLs have emerged in the recent period, which is a concern. The strategy of the bank is i) to foster penetration of existing network beyond 323 branches over the near-term; ii) spread advances book through different products over multiple sectors; The Bank has designed a broad spectrum of new products. iii) build non-fund based income; and iv) hold strength in treasury operations. The challenge to profitability is dried return of capital gains. The bank expects the profits to be boosted from growing direct and ancillary business. The bank is facing a challenge on its CAR. The management is pursuing another issue of bonds-Tier I this time to bolster its CAR. It would only enable it to comply with regulatory requirement for December 2018. Further room need to be created.

Ratings are dependent on JS Bank's ability to maintain its growth continuously to establish itself in the medium-sized banking space of Pakistan. Meanwhile, upholding asset quality, maintaining system share in terms of advances and deposits, adding diversity to income stream, sound CAR and strong governance framework are critical.

Disclosure

Name of Rated Entity	JS Bank Limited | PPTFC | Dec-16
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology | Financial Institution(Jun-18),Methodology | Basel III Compliant - Debt Instrument(Jun-18)
Related Research	Sector Study | Commercial Bank(Jun-18)
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