



Date

28-Jun-2019

Analyst

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Applicable Criteria

- Methodology | Financial Institution (Jun 18)
- Methodology | Criteria | Rating Modifier (Jun 18)
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale (Jun 18)

Related Research

- Sector Study | Commercial Bank (Jun 19)

Disclaimer

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PACRA Maintains Entity Ratings of Askari Bank Limited

Rating Type	Entity	
	Current (28-Jun-2019)	Previous (27-Dec-2018)
Action	Maintain	Maintain
Long Term	AA+	AA+
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

Askari Bank has shown stable growth rate over the years. This has ensured its relative profitability to remain intact. The bank has a strong brand image, flanked by its affiliation with one of the strongest conglomerate, Fauji Foundation Group. The ownership structure has proven itself a strong backing, as reflected by Askari Bank's history. The Bank has continued the growth trajectory during 2018. The net spread has improved on the back of significant improvement in asset yield amidst slightly higher cost of funds. Volumetric increase in earning assets, led by loan portfolio augmentation, provided support to profitability; but was negatively impacted due to higher provisioning expense on mark-to market loss of investment and NPL provisioning. The bank had a sizeable reversal in specific charge NPL provisioning during 2018, yet the positive impact was diluted by a higher incidence of provisioning expense. This also impacted the profitability for 2018.

The Bank's CAR is 12.5% at end-Dec18. The Tier 1 capital increased from 9.31% in 2017 to 10.92% in 2018 while the overall CAR improved by 40 basis points. With minimum CAR requirement of 12.5% by next year, the Bank would need to tread ahead with a cautious approach while lending in order to maintain sustainability with growth. The deposit growth was sizeable, enabling the bank to hold its relative position.

The ratings are dependent upon sustainability of the bank 's relative positioning and continuous improvement in capital adequacy, whereas, effective management of spreads remains important. Meanwhile, holding the asset quality is a pre-requisite.

About the Entity

Askari Bank Limited, incorporated in 1991, operates with a network of 516 branches (at end-Mar19). The banks share in total customer deposits stood at 4.4% at end-Dec18. With change in ownership in 2013, Fauji Foundation (FF) emerged as the key sponsor (~71.9% stake). The remaining shareholding is widely spread.

The overall control vests in an eleven-member board of directors including the President. Five members represent FF, four are independent, while one is NIT nominee. The BoDs during June 2018 appointed Mr. Abid Sattar as the new President and CE of Askari Bank Limited. He is a seasoned banker with rich industry experience spanning over three decades.

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 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.

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Applicable Criteria

- Methodology | Financial Institution (Jun 18)
- Methodology | Basel III Compliant - Debt Instrument (Jun 18)

Related Research

- Sector Study | Commercial Bank (Jun 19)

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PACRA Maintains Instrument Rating of Askari Bank Limited | TFC VI (Additional Tier I) | Jul-18

Rating Type	Debt Instrument	
	Current (28-Jun-2019)	Previous (01-Jan-2019)
Action	Maintain	Maintain
Long Term	AA-	AA-
Short Term	-	-
Outlook	Stable	Stable
Rating Watch	-	-

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About the Instrument

AKBL issued ADT-1 TFC-VI during the year to boost its CAR. The TFC-VI (Additional Tier 1) is an OTC, listed, unsecured, subordinated, perpetual and non-cumulative instrument, with profit rate of 6 Month Kibor + 1.5% and carries a call option which may be exercised after Jun-23, subject to approval of the SBP.

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 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.