



Date

28-Dec-19

Analyst

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Applicable Criteria

- PACRA_Methodology_FI | Jun-19
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-19
- Criteria | Rating Modifier | Jun-19

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-Dec-19)	Previous (28-Jun-19)
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, aided by its affiliation with one of the strongest conglomerate, Fauji Foundation Group. The ownership structure has proven itself a strong support, as reflected by Askari Bank's history. The Bank has continued the growth trajectory during 9MCY19. The net spread has inched up on the back of significant improvement in asset yield amidst higher cost of funds leading to enhanced profitability for 9MCY19. Volumetric increase in earning assets, led by loan portfolio augmentation, provided support to profitability; but was impacted due to higher provisioning expense on mark-to market loss of investment. The bank recorded reversal in specific charge NPL provisioning during CY18 and 9MCY19 which supported bottom-line.

The Bank's CAR is 12.73% at end-Sep19. The Tier 1 capital increased from 10.92% in 2018 to 11.25% in 9MCY19 while the overall CAR improved by 22 basis points. The Bank is issuing tier II TFC of PKR 7bln inclusive of PKR 2bln green shoe option which will enhance its capital base, thereby boosting its lending capacity. Additionally, the Bank will comfortably comply with statutory requirement of 12.5% CAR as at end-Dec19. 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 535 branches (at end-Dec19). The banks share in total customer deposits stood at 4.6% at end-Sep19. Fauji Foundation (FF) is 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. Mr. Abid Sattar is the 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

- PACRA_Methodology_FI | Jun-19
- PACRA_Methodology_DI | Basel III | FY19 | Jun-19
- Criteria | Rating Modifier | Jun-19

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-Dec-19)	Previous (28-Jun-19)
Action	Maintain	Maintain
Long Term	AA-	AA-
Short Term	-	-
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, aided by its affiliation with one of the strongest conglomerate, Fauji Foundation Group. The ownership structure has proven itself a strong support, as reflected by Askari Bank's history. The Bank has continued the growth trajectory during 9MCY19. The net spread has inched up on the back of significant improvement in asset yield amidst higher cost of funds leading to enhanced profitability for 9MCY19. Volumetric increase in earning assets, led by loan portfolio augmentation, provided support to profitability; but was impacted due to higher provisioning expense on mark-to market loss of investment. The bank recorded reversal in specific charge NPL provisioning during CY18 and 9MCY19 which supported bottom-line.

The Bank's CAR is 12.73% at end-Sep19. The Tier 1 capital increased from 10.92% in 2018 to 11.25% in 9MCY19 while the overall CAR improved by 22 basis points. The Bank is issuing tier II TFC of PKR 7bln inclusive of PKR 2bln green shoe option which will enhance its capital base, thereby boosting its lending capacity. Additionally, the Bank will comfortably comply with statutory requirement of 12.5% CAR as at end-Dec19. 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 535 branches (at end-Dec19). The banks share in total customer deposits stood at 4.6% at end-Sep19. Fauji Foundation (FF) is 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. Mr. Abid Sattar is the President and CE of Askari Bank Limited. He is a seasoned banker with rich industry experience spanning over three decades.

About the Instrument

AKBL issued ADT-1 TFC-VI during 2018 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.



Date

21-Nov-19

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Applicable Criteria

- PACRA_Methodology_FI_FY19 | Jun-19
- PACRA_Methodology_DI_Basel III_FY19 | Jun-19

Related Research

- Sector Study | Commercial Bank | Jun-19

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PACRA Assigns Preliminary Rating to TFC VII (Tier 2) of Askari Bank Limited

Rating Type	Debt Instrument
	Current (21-Nov-19)
Action	Preliminary
Long Term	AA
Short Term	-
Outlook	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 9MCY19. The net spread has inched up on the back of significant improvement in asset yield amidst higher cost of funds leading to enhanced profitability for 9MCY19. Volumetric increase in earning assets, led by loan portfolio augmentation, provided support to profitability; but was impacted due to higher provisioning expense on mark-to market loss of investment and NPL provisioning. The bank recorded reversal in specific charge NPL provisioning during CY18 and 9MCY19 which supported bottom-line.

The Bank's CAR is 12.73% at end-Sep19. The Tier 1 capital increased from 10.92% in 2018 to 11.25% in 9M2019 while the overall CAR improved by 22 basis points. The Bank is issuing tier II TFC of PKR 7bln inclusive of PKR 2bln green shoe option which will enhance its capital base, thereby boosting its lending capacity. Additionally, the Bank will comfortably comply with statutory requirement of 12.5% CAR as at end-Dec19. 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 517 branches (at end-Sep19). The banks share in total customer deposits stood at 4.4% at end-Dec18. Fauji Foundation (FF) is 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. Mr. Abid Sattar is the President and CE of Askari Bank Limited. He is a seasoned banker with rich industry experience spanning over three decades.

About the Instrument

AKBL is planning to issue Tier-2 TFC-VII during the year to boost its CAR. The TFC-VII (Tier 2) will be an unsecured, subordinated, rated and DSLR listed/Private placed term finance certificate of upto PKR 7bln, inclusive of Green Shoe option of PKR 2bln. The profit rate is 3 Month Kibor + 1.2%. The tenor of instrument is up to 10 years and profit will be payable quarterly in arrears on the outstanding principal amount and principal will be paid in 4 equal quarterly installments in year 10. The instrument carries a call option which may be exercised after 20th coupon payment (5 years), subject to approval of the SBP.

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