Press Release

JCR-VIS Reaffirms Ratings of Askari Bank Limited

Karachi, June 29, 2016: JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the entity ratings of Askari Bank Limited (AKBL) at 'AA/A-1+' (Double A/A-One Plus). Ratings assigned to both instruments of AKBL - 4th(fourth) Issue of Tern Finance Certificate (TFC-IV) & 5th (fifth) Issue of Term Finance Certificate (TFC-V) - have also been reaffirmed at 'AA-' (Double A Minus). Outlook on the assigned ratings is 'Positive'. The previous rating action was announced on June30, 2015.

The ratings assigned to AKBL take into account its association with Fauji Foundation, a large conglomerate operating across diversified sectors of the country. Pursuing an aggressive branch expansion plan, the bank aims to increase its footprint to 500 locations by end-FY16. To protect profitability in low interest rate regime, the bank plans to increase financing in high yielding assets and pursue aggressive growth in low cost deposits. Moreover, profitability may get impetus from provisioning reversal in case of already classified accounts.

In line with banking sector trends, AKBL's asset deployment strategy remained conservative with focus on maintaining credit quality of the advances portfolio. Within corporate portfolio, focus remained on mid tier corporate customers to manage overall yields on the portfolio. Asset quality indicators have exhibited improvement in line with growth in lending portfolio. Changes in distribution strategy are expected to facilitate growth in consumer assets; maintaining a check on the related asset quality indicators will remain important.

Overall liquidity profile of the bank remains strong underpinned by largely maintained liquid assets in relation to total deposits and borrowings, improved granularity of deposits and higher share of CASA in deposit base. Core earning depicted healthy growth during the outgoing year on account of volumetric growth in earning assets while lower cost of funds positively reflected on the spreads of the institution. Capitalization indicators of the bank were largely sustained. Net NPLs to Tier-1 capital improved on a timeline basis however continue to be higher in comparison to most of the peer banks. Increase in tier-1 equity may be warranted to ease pressure on capitalization indicators as regulatory requirements increase. Moreover, higher profit retention will assist the bank in facilitation of future growth in advances portfolio as PIBs and interest rate scenario reverse.

For further information on this rating announcement, please contact the undersigned at (Ext: 501) or Mr. Mohammed Khalid Ali (Ext: 508) at 021-35311861-71 or fax to 021-35311872-3.

Javed Callea
Advisor

Applicable rating criterion:
Commercial Banks Methodology - November 2015

Rating the Issue (Sept 2014)
Governing Linkages between Parent and Subsidiary Companies (Jan 2015)