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Applicable Criteria

- Rating Modifiers | Outlook and Rating Watch (Jun 16) [\[View\]](#)
- Bank Rating (Jun 16) [\[View\]](#)

Related Research

- Sector Study | Commercial Bank (Jun 17) [\[View\]](#)

PACRA Maintains Entity & TFCs Ratings of Askari Bank Limited

Rating Type	Debt Instrument		Entity	
	Current (22-Jun-2017)	Previous (25-Jun-2016)	Current (22-Jun-2017)	Previous (25-Jun-2016)
Action	Maintain	Upgrade	Maintain	Initial
Long Term	AA	AA	AA+	AA+
Short Term	-	-	-	-
Outlook	Stable	Stable	Stable	Stable
Rating Watch	-	-	-	-

The ratings reflect relative positioning of the bank, driven by AKBL's strong ownership structure whereby Fauji Foundation Group - an established business conglomerate with strong financial muscle - holds majority stake. The bank has continued the growth trajectory in 2016, more aligned with the industry trend. The cost of funding has been rationalized due to healthy growth in low cost deposits wherein, added granularity has reduced concentration level. Volumetric increase in earning assets, led by loan portfolio augmentation, provided support to profitability. Expansion in branch network has led to significant rise in expenses, yet benefit can be seen in the form of deposit growth and reduced cost of funding. The profitability of the bank is under pressure lately due to maturity of PIBs. Meanwhile, noticeable improvement was observed in asset quality as net accretion to NPLs curtailed significantly and is supplemented by comfortable liquidity position. The bank's CAR is 12.5%, the management is cognizant of the need of further augmentation in capital and has a plan in place for improvement. Going forward, the management is eyeing CPEC as an opportunity to capitalize and build its business through a dedicated China Desk and Representative Office in China. This would be supported by extending outreach and on-going focus on generating non-funded income and mobilizing low-cost deposits.

The ratings are dependent upon continuous improvement in asset quality, whereas, effective management of spreads, amid low interest rates scenario, remains important. Meanwhile, notable improvement in CAR is expected through profit retention and/or support from sponsors.

About the Entity

Askari Bank Limited, incorporated in 1991, operates with a network of 501 branches (at end-Mar17). The banks share in total customer deposits stood at 4.3% (CY15: 4.4%) . With change in ownership in 2013, Fauji Foundation (FF) emerged as the key sponsor (~72% 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. Syed M. Husaini assumed the position of President & CE in June13 and is supported by an experienced and professional management team.

About the Instrument

AKBL issued unsecured, subordinated, unlisted TFCs of PKR 1,000mln in Dec11. With ten years tenor, TFCs carry profit rate of 6M-K Plus 175bps payable semi-annually in arrears (till Dec16), and 6M-K Plus 220bps subsequently. Major principal repayment (99.7%) from Jan20-Dec21. Call option is exercisable after Dec16, subject to SBP approval.

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