



## Rating Action

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## PACRA ASSIGNS INITIAL RATING TO PROPOSED TFC ISSUE OF ASKARI BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned initial rating of 'AA-' (Double A minus) to the privately placed, unsecured and subordinated fourth TFC issue of PKR 1,000mln by Askari Bank Limited (AKBL). This rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect AKBL's established market position strengthened by its brand - Askari. This has helped in developing a strong deposit base. The bank has achieved gradual improvement in its performance trend. Although this is supplementing its equity base, to support its growth plans and replace the winding down tier II capital, AKBL intends to issue fresh, unsecured and subordinated TFC. The bank has witnessed a continuous rise in its NPLs. The management, cognizant of this, has adopted a comprehensive strategy to improve its asset quality. The rating takes into account the steps taken by the bank to improve its technological infrastructure.

**About the Bank:** AKBL, with a network of 235 branches at end-Sep11, commenced its operations in 1992. AKBL is sponsored by the Army Welfare Trust (AWT), which remains the principal shareholder. AWT has business interests across a wide range of sectors. The overall control of the bank vests in the ten-member Board of Directors. Mr. M.R. Mehkari, the President and Chief Executive of AKBL since 2008, joined the bank in 1992 and carries significant international and domestic banking experience. The bank's senior management team comprises experienced professionals

**About the Proposed Issue:** AKBL intends to issue fourth subordinate TFC of PKR 1,000mln. The proposed issue is based upon ten no-call five structure, whereby the tenor would be 10 years and is not callable for first five years. The profit payment is made semi-annually in arrears, based on 6-month Kibor + 175bps for the first five years after which a profit rate of 6-month KIBOR plus 220bps would be applicable. The issue is structured to redeem major amount of principal in four equal semiannual payments after 96 months.

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