



Rating Action

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PACRA MAINTAINS RATINGS OF THE BANK OF KHYBER

The Pakistan Credit Rating Agency Limited (PACRA) has maintained long term and short term entity ratings of The Bank of Khyber [BoK] at 'A' (single A) and 'A1' (A One), respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings of The Bank of Khyber reflect its strengthening market position - particularly in deposits - with increasing system share (CY14 ~ 1%). The bank still has reliance on large ticket deposits from Government of Khyber Pakhtunkhwa (GoKP) and its related agencies. However, stability is observed in such deposits over time. The bank intends to expand its branch network; this should help achieve growth and granularity in deposits. The bank maintains sound capitalization, further supplemented by healthy bottom-line performance. Financial risk profile incorporates strong liquidity position. The bank has witnessed slight deterioration in asset quality; though, potential drag on equity is limited. However, this area requires management's careful attention, given plans to expand the loan book. The ratings continue to draw comfort from the bank's association with GoKP.

The ratings are dependent on bank's ability to hold its risk profile, while expanding its size. Improvement in the technology platform is critical to foster the control environment including reporting framework. Meanwhile, any significant infection in asset quality, thereby weakening the bank's risk absorption capacity, and/or any intervention compromising the governance standards would impact negatively.

About the Bank: The Bank of Khyber (BoK), established in 1991 under the BoK Act, was awarded status of a scheduled bank in September 1994. The Government of Khyber Pakhtunkhwa (GoKP) has majority stake in BoK (70%), whereas, Ismail Industries with ~24% is the other major shareholder. The bank has a network of 116 branches out of which 54 are Islamic.

The board presently comprises eight members, out of which four are GoKP nominees, including two ex-officio members. The remaining includes one representative of Ismail Industries. Mr. Shams-ul-Qayyum, the Managing Director, has recently been appointed (Oct-14) and carried with him more than 40 years of experience in the financial sector. He is supported by a seasoned management team.

Applicable Criteria and Related Research

- Banking Sector - Viewpoint | Mar-15
- Bank Rating Methodology

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