



## Rating Action

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## PACRA UPGRADES RATING OF JS BANK LIMITED

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long-term entity rating of JS Bank Limited (JSBL) to '**AA- (Double A Minus)**' [previously '**A+ (A Plus)**']. Meanwhile, short-term entity rating is maintained at '**A1+**' (**A One Plus**). The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

The ratings reflect strengthened relative position of JS Bank in the country's competitive banking landscape. This emanates from enhanced system share (approaching 2% of deposits at end-Sep16). The benefit has trickled down whereby concentration - both in deposits and advances - is approaching adequate levels. Expanded branch network is supporting deposit growth. Meanwhile, JS Bank is carefully building its loan book; although asset quality is good. The strategy is to i) foster penetration of existing branches while expanding the network beyond 300 branches over the near-term; ii) spread advances book through different products over multiple sectors; iii) build non-fund based income; and iv) hold strength in treasury operations. JS Bank has adequate capital level (CAR at end-Sep16: ~12% primarily tier I). However, credit expansion may put some pressure on CAR, for which the bank has option to add support through tier II capital.

Ratings are dependent on JS Bank's ability to maintain its growth trajectory to establish itself in the medium-sized banking space of Pakistan. Meanwhile, upholding asset quality, adding diversity to income streams, and strong governance framework are critical.

**The Bank:** JS Bank, in operations since December 2006, operates a network of 278 branches at end-Sep16. Listed on the Pakistan Stock Exchange since 2007, JS Bank is a subsidiary (70%) of Jahangir Siddiqui & Co. Limited (JSCL) which is majorly owned by Mr. Jahangir Siddiqui and family. JS Bank, through its subsidiaries - JS Global Capital Limited (67%) and JS Investments Limited (65%) - and group associates, is well placed to develop a financial services hub. JS group is key shareholder in BankIslami Pakistan Limited and EFU Insurance; in addition to investments in other economic sectors.

BoD consists of nine members including the CEO. Mr. Ali Jehangir Siddiqui has recently been elected as Chairman of the board. JSCL is represented by five directors on the board. Mr. Khalid Imran, the President/CEO of the bank, carries extensive experience in banking. He is supported by an able team. The bank has attained relative stability in top team.

## Applicable Criteria and Related Research

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

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