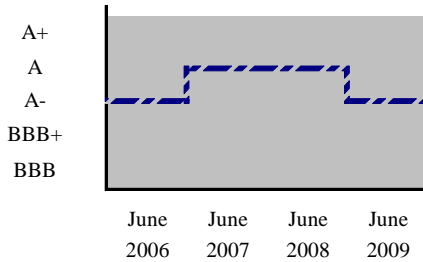


RATINGS (JUNE 2009)
MYBANK LIMITED (ML)

RATINGS	NEW	PREVIOUS
Entity		
Long Term	A-	A
Short Term	A2	A1
Outlook	Negative	n.a.

L.T. ENTITY RATING - HISTORY



FINANCIAL DATA

PKR (mln)

	Mar-09	Dec-08	Dec-07
Total Assets	38,756.4	39,803.0	40,601.6
Equity	5,069.9	5,853.7	5,063.7
Net Income	(789.6)	(350.3)	340.3
ROA %	(8.04)	(0.87)	1.02
ROE %	(57.82)	(6.42)	7.57
Equity /Assets %	13.08	14.71	12.47
SBP CAR %	16.1	17.29	18.78

ANALYSTS

Ahmad Raza Tahir
+92 42 5869504
ahmad@pacra.com

Moin Khalid
+92 42 5869504
moin@pacra.com

RATING RATIONALE AND KEY RATING DRIVERS

- The ratings reflect the bank's substantially weakened equity profile and risk absorption capacity - a consequence of sharp deterioration in asset quality. Performance prospects are also subdued owing to increase in non-earning assets, mainly NPLs, and increasing provisioning requirement against infected portfolio. Although the management is making efforts to revive the operational performance, the challenges in the economic environment have made the task increasingly difficult. Given the huge equity injection required to absorb the losses, the sponsors, facilitated by other stakeholders, are actively pursuing merger / acquisition options. The bank's ratings draw significant comfort from the vigilance and pro-activeness of the apex regulator – SBP. The ratings would remain on Rating Watch pending the outcome of the above-mentioned plans.
- The ratings are critically dependent upon augmentation of the bank's risk absorption capacity either through a merger with or fresh equity injection by an institution with sufficient financial muscle and expertise. Meanwhile, revival of operations through effective restructuring would also be important.

ASSESSMENT

- Mybank's reported asset quality, as measured by NPLs to gross advances, deteriorated significantly to 30% at end-Mar09 (end-Dec07: 5%). The substantial deterioration in asset quality is a consequence of excessive exposure on a single group, Dewan Group (constituting around 78% of the total NPLs). The bank's exposure on Dewan, which has turned non-earning, has approximately 20% drag on the total interest income.
- The bank posted substantial loss during 1Q09 due to ageing of NPLs. Further, owing to suspension of income against NPLs and rise in operating costs, the bank's pre-provision profitability has also come under pressure. The management is making efforts for recovery / settlement of these NPLs. The BoD has constituted a SAM Committee to review the management's progress in expediting recovery of NPLs. Moreover, owing to heavy exposure by the banking industry on Dewan Group, industry-wide efforts are underway for restructuring / settlement. However, actual materialization of these recovery efforts in a timely manner remains to be seen. Meanwhile, monitoring in respect of the remaining loan book has been tightened to prevent incidence of fresh infection. Mybank's current health necessitates the need for substantial equity injection to keep the financial profile of the bank intact. As the existing sponsors do not have the requisite capacity to support the bank, efforts are underway so that a new sponsoring group can acquire the bank.
- The overall investment portfolio of the bank (end-March09: 26% of total assets) remained predominantly concentrated in government securities and open-end mutual funds (mainly income funds). The major portion of government securities consists of investment in T-bills. The bank's equity portfolio (22% of the bank's equity at end-08) mainly comprises investment in mutual funds and quality liquid scrips. The risk of downward movement is low as the company has already recognized impairment loss of PKR410mln as at end-Dec08 and a further PKR80mln as at end-Mar09.
- NPLs to equity also witnessed a sharp deterioration (end-08: 86%, end-07: 4%). Although the bank is currently complying with the MCR as stipulated by SBP, the substantial provisioning owing to ageing of NPL portfolio is likely to dilute the equity base below its current level, leading to non-compliance. This further necessitates the need for substantial equity injection.
- Mybank's borrowings from financial institutions increased substantially during the year to manage its liquidity during the liquidity crises, as the bank's deposits shrunk by around PKR 4.1bln. The concentration of top 20 depositors at 40% comprises a relatively high proportion of mutual funds, signifying high concentration risk.

PROFILE

- Mybank Limited (formerly Bolan Bank Limited) commenced its operations in October 1992 and is listed on the Karachi, Lahore and Islamabad Stock Exchanges.
- In March 2004, the controlling interest (52%) in the bank was acquired by Mr. Iqbal Alimohamed and family. Invest Capital Investment Bank Limited is the other major shareholder with 6.67% shareholding.
- The financial profile of the sponsoring family is not considered strong enough to support the bank in its current crises. Although sponsor shareholder has made efforts in the past to divest its stake in the bank to a third party, such efforts have not materialized to date.
- The seven member BoD includes two representatives of the sponsoring group, one representative of AKD group, three independent directors and the CEO. No member of the BoD, except for the CEO, has any prior banking experience. The Risk Management Committee of the BoD has remained ineffective in avoiding undue concentration of risk.
- The President, Mr. Bilal Sheikh, is a career banker with above three decades of extensive experience. He is assisted by an adequate management team.