



## Rating Action

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## PACRA ASSIGNS AAA RATING TO STANDARD CHARTERED BANK (PAKISTAN) LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term rating of **"AAA"** (Triple A) and a short-term rating of **"A1+"** (A One Plus) to Standard Chartered Bank (Pakistan) Limited (SCBPL). The bank's three listed, subordinated TFCs are also assigned **"AAA"** rating. These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments. The ratings remain subject to a formal review by PACRA on release of audited financial statements for the year 2006.

The ratings reflect the bank's sound financial profile, a leading market position, robust risk management systems, and a quality management team. At the same time, PACRA recognizes the financial strength and international profile of the parent – Standard Chartered Bank (SCB) – in the banking industry and continuing strong support to SCBPL. The intrinsic value of group support is to be seen in the context of the strong international rating of SCB. The management has devised a comprehensive strategy and, while capitalizing on the strength of the combined entity, intends to further improve its market standing through sustained growth in the targeted segments.

Going forward, the management aims to position the bank for sustained growth in the fast changing market dynamics with strong emphasis on proactive risk management. In this regard, it has plans to further expand its outreach, especially focusing on non-metropolitan cities. Although the business strategy of the bank focuses on relatively high-growth segments, this is well in line with the business model of the Standard Chartered Group, which primarily operates in these segments in more than 50 countries in Asia Pacific Region, South Asia, the Middle East, and Africa. The management is expected to draw substantial benefits from the cumulative expertise and technical resources of the group in managing the associated risks.

SCBPL has strong capitalization levels. Meanwhile, the asset quality is robust, evidenced by low NPLs to gross finances ratio. The risk management framework, service standards, support systems and processes employed by the bank are of high quality, common to other group entities. The group exercises a high degree of supervision and provides support through an established structured mechanism. Given the increasing importance of the operations in Pakistan in the overall business of the Group, the degree of support available to the bank is expected to be substantially high.



**About the Bank:** SCBPL, a majority owned subsidiary (around 99%) of Standard Chartered Bank (SCB), is in the process of being listed on all stock exchanges in Pakistan. SCB, incorporated in the United Kingdom, has an international rating of "A+" by Standard & Poor's and Fitch. Subsequent to merger of Union Bank Limited and Standard Chartered Bank (Pakistan) Branches, with and into SCBPL, effective December 30, 2006, it has emerged as the sixth largest bank in Pakistan in terms of total assets. The bank has a network of 115 branches across 22 cities. The BoD of SCBPL mainly comprises personnel holding key positions in Standard Chartered Group. The bank's CEO has an extensive local and international banking experience. He has been with the group since 1991, and has held various senior positions, including the CEO of Pakistan's operations since July 2003. Prior to the merger, SCB's Pakistan Operations has developed a strong foothold in consumer and wholesale banking, and offers a wide range of products and services. Union Bank's niche in Consumer and SMEs segments synchronize well with the overall business model of the new entity. SCBPL has made appreciable progress towards integration of the two entities in a quick time.

**About the TFCs:** After the merger, SCBPL has acquired all the assets and liabilities of Union Bank Limited, including its three listed unsecured subordinated TFCs. The first TFC (PKR 750mIn) was issued during December 2002 for a tenor of 5<sup>1/2</sup> years at a floating rate of latest cut-off yield on 5 year PIB plus 225bps with a floor of 11.00% and a cap of 15.50%. Major principal redemption will be in three instalments, commencing from June 2007. The bank issued second unsecured subordinate TFCs (PKR 750mIn) for a tenor of 7 years during December 2003. The profit payment is at a floating rate of latest cut-off yield of 5 years PIB plus 75bps with a floor of 5% and cap of 10.75%. Major principal redemption will be in six unequal instalments, commencing from the 54<sup>th</sup> month of issue. The third TFC of PKR 1,000 million was issued in January 2006, for 7-year tenor, with profit payable at a floating interest rate of 6-months KIBOR + 2%. Principal redemption will be in six unequal installments, commencing from the 54<sup>th</sup> month of issue.

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