



Rating Action

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PACRA MAINTAINS RATING OF TFCs OF PRIME COMMERCIAL BANK LIMITED

PACRA has maintained the rating of TFCs of PKR 800mln issued by Prime Commercial Bank Limited at 'A' (Single A). Additionally, PACRA has assigned a **positive outlook** to the rating, while placing it on RatingWatch pending completion of the merger process and a formal rating review of the new entity. The rating denotes a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The rating, on a standalone basis, reflects sound capital structure of PCBL, engendering an adequate risk absorption capacity. However, lately, the same has come under pressure due to a sizeable increase in the bank's NPLs, thereby, impacting performance on account of higher provisioning. Meanwhile, ABN AMRO Bank N.V. has acquired the majority stake in PCBL and is in the process of merging ABN AMRO Pakistan branches, with and into PCBL. The merged entity, while enjoying close institutional linkage with one of the world's leading and financially strong banks, would be better placed to withstand the increasingly competitive banking environment in the country.

About the TFC Issue: PCBL issued an unsecured subordinated TFC in 2005 for a tenor of 8 years carrying mark-up at a floating rate of latest 6-month KIBOR plus 1.9%, payable semi-annually. Principal redemption will be in four equal annual installments commencing from Feb-10. The TFC, with its relatively longer tenor, was issued to provide added support to the bank's CAR.

About the bank: After commencing operations in 1992, PCBL currently operates a network of 69 branches including two Islamic branches, with presence in 25 cities of the country. ABN AMRO Bank N.V. completed acquisition of majority shareholding (above 96%) in PCBL in March 2007 and is currently in the process of merging its Pakistan branches with the bank. The merger process is likely to be completed within a few months time. After merger with ABN AMRO Pakistan branches, the merged entity, with a network of 81 branches, would have above 3% share in the system assets.

ABN Amro Bank N.V., established in Netherlands, is one of the largest banks in the world operating in 56 countries with above 4,500 branches and offices, and an asset base of close to €1,000bln. The bank has a long-term rating of 'AA-' by Standard & Poors and Fitch.

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