



RATING ACTION

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PACRA REMOVES RATINGS OF ROYAL BANK OF SCOTLAND LIMITED FROM RATING WATCH ; NEGATIVE OUTLOOK STAYS

The Pakistan Credit Rating Agency (PACRA) has removed the entity and TFC ratings of the Royal Bank of Scotland Limited (RBSL) from the Rating Watch, following the lapse of deal to acquire RBSL by MCB Bank Limited. The agency affirms the entity and TFC ratings of the bank [long-term: “AA” (Double A); short-term: “A1+” (A One Plus); subordinated TFC of PKR800mln: “AA-” (Double A minus)], while maintaining the negative outlook.

The outlook on the ratings highlights that overall profile of the bank would remain under pressure on account of, i) absence of any focused business strategy, ii) increased impairment in the loan book, and iii) weakening franchise of the bank. Nevertheless, the ratings incorporate Royal Bank of Scotland’s (RBSG) assurance to continue supporting its Pakistan’s operations.

The bank: RBSL, 99% owned by RBSG is operating with 79 branches in more than 24 cities in Pakistan.

RBSG, 70% owned by Government of UK, has a consolidated asset base of more than US\$3,300bln at end Jun-09. RBSG has a long-term rating of ‘AA-’ from Fitch. In February 2009, RBSG announced to sell its operations in fifteen countries (business operations in more than 50 countries) to focus on businesses in selected countries only. In August RBSG entered into a share purchase agreement with MCB to sell its stake, and the deadline for this agreement was December 31, 2009. Though the RBS-MCB deal has lapsed the sponsor is still interested in sale of its investment in Pakistan.

TFC: RBSL issued unsecured subordinated TFC in February 2005 for a tenor of 8 years carrying mark-up at a floating rate of 6-month KIBOR plus 1.9%, payable semi-annually. Principal redemption will be in four equal annual installments commencing from Feb-10.

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