

Press Release

JCR-VIS upgrades entity ratings of SME Bank Limited

Karachi, March 10, 2005: JCR-VIS has upgraded the medium to long-term entity rating of SME Bank Limited to BBB (Triple B) with a 'Stable' outlook from BB+ (Double B Plus). Short-term rating has also been upgraded to A-2 (A-Two) from A-3 (A Three).

Following the restructuring of the banks' liabilities in 2003-2004, the bank is rapidly recovering non-performing loans in accordance with the laid out targets. The ratings take into consideration liquidity available with the bank which is sufficient to repay the entire obligation to the State Bank of Pakistan by June 2006, as per the terms. A further expression of support by the Government of Pakistan (GoP) is evident from the increase in the bank's capital to meet the minimum regulatory requirement, although this has been effected through swapping to equity, a credit line which was to be settled by the GoP on behalf of the bank, according to the financial restructuring plan. A commercial banking license has also been granted to SME Bank Limited.

Though the bank has posted improved levels of earnings, ratings continue to be constrained by the low level of core banking activity which is likely to remain so till the appointment and arrival of consultants to provide staff training. These consultants will facilitate in streamlining the risk management and underwriting procedures of the bank to develop its credit portfolio.

For further information on this rating announcement, please contact Mr. Jamal Abbas Zaidi (Ext: 233) or Ms. Sabeen Saleem (sabeen@jcrvis.com.pk / Ext: 222) at 5671822/5671833/5680996 or fax to 5681105/5671600.

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