

# Press Release

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## **JCR-VIS assigns entity ratings of BB+/A-3 to SME Bank Limited**

**Karachi, July 1, 2004:** JCR-VIS has assigned medium to long-term entity rating of BB+ (Double B Plus) with a 'Stable' outlook and a short-term rating of A-3 (A Three) to SME Bank Limited (SME Bank).

Following a financial assistance agreement between the Asian Development Bank and the Government of Pakistan (GOP), the SME Bank is undergoing a restructuring process. The Bank has paid / adjusted part of the amount payable to the State Bank of Pakistan (SBP), which was Rs. 12.7b as on December 31, 2002. The balance amount of Rs. 4.4b is now payable to SBP by June 30, 2006. As part of the restructuring, the GOP has also increased the paid up capital to Rs. 1.1b in June 2004 from Rs. 0.365b in December 2003. The bank has also implemented an ADB sponsored voluntary separation scheme, as part of restructuring, under which about 700 employees have been voluntarily severed. Through these measures, the GOP is preparing SME Bank for privatization by the end of June 2006.

Ratings are constrained by the bank's expected performance during the period of restructuring. Over the rating horizon, business activity is expected to remain at low levels. JCR-VIS will monitor development on the front of acquisition of a commercial banking license and bank's progress in recoveries against defunct assets.

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