



Rating Action

Lahore : 18-Jun-2016

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PACRA Maintains Entity & TFC Ratings of Standard Chartered Bank (Pakistan) Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Standard Chartered Bank (Pakistan) Limited (SCBPL) at 'AAA' (Triple A), and 'A1+' (A One Plus). Meanwhile, the rating of the bank's listed, subordinated TFC has been maintained at 'AAA' (Triple A). These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments.

The ratings reflect SCBPL's association with a financially sound and reputed international bank - Standard Chartered PLC. This is supplemented by SCBPL's strategic and operational integration into the parent as the bank continues to benefit from the technical resources and cumulative expertise developed at the group level. The risk profile of the parent institution recently came under pressure with international ratings being revised downwards, though still remains strong. This was mostly due to loss in some key markets, however revival is underway. This is crucial to SCBPL's local rating. The ratings incorporate the bank's edge in niche market (MNCs and established domestic corporates & consumer through an elaborate product suite), wherein, its international franchise is advantageous. At the same time, the ratings factor in sound management quality, healthy spreads, and ample liquidity of the bank. SCBPL's pre-dominantly low cost deposit base, while distinguishing it in peer universe, facilitates core operating activities.

The ratings remain dependent on the bank's ability to maintain its presence in profitable segments, while remaining abreast of changing domestic operating environment. Meanwhile, maintaining spreads whilst not compromising on the asset quality is important for the bank.

About the Company

SCBPL, incorporated in Pakistan in Jul06, is majority owned (99%) by Standard Chartered PLC and operates with a network of 101 branches at end-Mar16. In the recent years, the bank focused on rationalizing its network (29 branches closed since 2012). The bank intends to hold current network size. Standard Chartered PLC is rated (S&P: BBB+, negative outlook, Moody's: A1, and Fitch: A+) at end-Dec15.

SCBPL's seven-member BoD comprises qualified and experienced professionals. The board has four members of the Standard Chartered (SC) Group, including SCBPL's CEO. The remaining members of the board are independent directors.

About the Debt Instrument:

SCBPL currently has one privately placed unsecured subordinated TFC outstanding - 4th Issue. The instrument (issued in Jun12) has a tenor of 10-years, with profit payable at a floating interest rate of 6-months KIBOR+0.75%. The issue contains a call option which is exercisable after the first five years (July17). The entire principal would be repaid in the tenth year (Jun22) in two equal semi-annual installments.

Applicable Criteria and Related Research

- Banking Sector - Viewpoint | Dec-15
- Bank Rating Methodology

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