



External Relations Department

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PRESS RELEASE

KASB BANK: SBP CLARIFICATION

The State Bank of Pakistan as part of its mandate is responsible for protecting the interest of depositors and ensuring stability of the banking system. Fulfilling its mandated responsibilities State Bank assesses fitness and propriety of every prospective investor in a bank beyond a defined threshold (currently 5%), so as to ensure that the investor is capable of fulfilling the fiduciary responsibilities and can be entrusted with the license to collect public deposits.

Due to persistent losses for the last five years KASB bank's equity had eroded significantly and was much below the regulatory Minimum Capital Requirement, its Capital Adequacy as of 30-09-2014 has also turned into negative thus technically rendering it insolvent. Because of the weak financial health of the bank and inability of its sponsors to meet capital requirement of State Bank, in the best interest of the depositors and other stakeholders, had to request Federal Government to place the bank under moratorium. The Federal Government imposed the moratorium on the bank and also directed State Bank to prepare a scheme of reconstruction / amalgamation in accordance with the law.

The sponsors of the bank filed a writ petition against the State Bank of Pakistan and others at Islamabad High Court; however, the petition was subsequently withdrawn unconditionally.

State Bank of Pakistan has noticed that post withdrawal of the petition rumors have been spread that some Chinese investors have struck a deal with State Bank of Pakistan. State Bank denies any such deal and clarifies that a Chinese investor approached State Bank through the bank's existing shareholders. SBP informed the prospective investor to establish its *bonafide* and has to clear Fitness and Propriety criteria. They were also guided about the position of the bank and information required to be submitted in order to assess their request. However, they could not submit any of the required information. An entity whose beneficial ownership is not clear cannot be entrusted with the license of a bank.

Although the prospective investor under discussion has indicated to bring in some investment by May 13, 2015 but in view of the quantum of deposits of the bank and the Minimum Capital Requirement the committed amount of investment is very meager. Further, the prospective investor did not share any information about how and from where the funds would be mobilized.

State Bank of Pakistan, always welcomes the Foreign Direct Investment, however, this can be accepted only within the bound of laws and regulations prevalent in the jurisdiction. State Bank of Pakistan reassures the public at large that it is committed to strengthen the banking sector of the country.