

## MCB AMC Merge with Arif Habib Investments

MCB Bank, sponsors of MCB Asset Management Company Limited and Shareholders of Arif Habib Investments Limited have signed the Shareholders' Agreement for the proposed merger of their Asset Management Companies on January 19, 2011. The Share holder Agreement was signed by the two companies in presence of Mian Muhammad Mansha and Mr. Arif Habib, who also signed the agreement on behalf of Arif Habib Corporation Limited. Mr. M. U. Usmani, President MCB Bank signed the agreement on behalf of the Bank, in presence of Mr. Ali Munir, SEVP of MCB Bank. The two groups had initiated the deal with an in-principle understanding by signing an MOU a few months ago. Further formalities such as submission of legal applications to regulators have followed. On January 19, 2011 the two parties finalized their understanding and agreement on all legal, financial and commercial terms and concluded by signing a Shareholder Agreement. The groups feel strongly about sharing resources to provide better services to a diverse segment of investors ranging from small savers to large, sophisticated investors. The merged entity is likely to have risk averse products such as money market and government securities funds, capital protected funds, somewhat higher yielding fixed income funds, and higher risk reward options such as hybrid funds and stock market funds. Investors will have access to these products through branch networks of MCB and other large commercial banks.

Mian Mansha who is Chairman of the Board of MCB Asset Management besides being Chairman of MCB Bank will continue as the Chairman of the merged entity representing MCB Bank, which will become the single largest majority shareholder in the merged entity. Arif Habib Corporation will be the second largest shareholder in the merged entity followed by employees of Arif Habib Investments and general public. The Board will have representation of both groups and independent directors. The company is likely to be re-named "MCB-Arif Habib Savings and Investments Limited", or another name agreed by shareholders. The name is likely to have representation of both groups. The new entity is expected to have a larger capital base of Rs. 660 million and MCB Bank will be entitled to receive 1.2 shares of Arif Habib Investments for every one share of MCB Asset Management. Mr. Yasir Qadri, currently CEO of MCB Asset Management is proposed to continue as CEO of the new company while Mr. Nasim Beg currently CEO of Arif Habib Investments will serve on the Board as Executive Vice Chairman, subject to regulatory approvals.

Arif Habib Investments and MCB AMC are already leading companies of the asset management arena, and the merger can potentially make them the largest private asset manager of the country, behind the public sector NIT. The merged entity is likely to manage approximately Rs. 30 billion, making the managed assets size comparable to some banks. Asset Management industries in some parts of the developed world are larger than banks, being the preferred choice for small savers and other investors.

The merged entity will look to improve the high standards of ethics and performance set by the two companies individually. Both companies are recognized for their distinctive roles in the industry. Arif Habib is recognized in its pioneering role in the industry, while MCB AMC established its brand as a sturdy and conservative fund manager which withstood economic pressures without duress.

The Pakistani Asset Management industry has been through eventful times as many fund managers demonstrated their ability to grow in bullish market and resilience to survive under extremely stressful economic conditions. The industry has evolved periodically, moving its focus from being equity centric to fixed income oriented. The industry is looking to achieve global standards in terms of disclosure and other areas.