

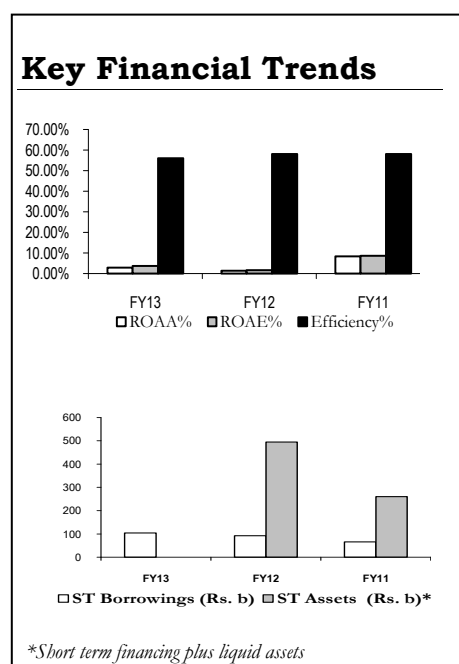
NBP Leasing Limited

CEO & Managing Director: Mr. Shabzad Enver Murad

June 25, 2014

Analysts: Sobia Maqbool, CFA
 Muhammad Arsal Ayub

Category	Latest	Previous
Entity	A+ / A-1 Jun 24, '14	A+ / A-1 July 16, '13
Outlook	Positive Jun 24, '14	Positive July 16, '13



	FY13	FY12	FY11
Total Assets (Rs. in m)	958.4	964.7	766.3
Net Leases (Rs.in m)	884.4	670.2	463.8
Net Infection (%)	9.5%	13.9%	1.2%
Profit / (Loss) (Rs.in m)	25.9	11.5	56.3
Equity*(Rs. in m)	740.7	711.6	687.3

Rating Rationale

Ratings of NBP Leasing Limited (NBPL) are driven by the strong financial profile of the sponsor i.e. National Bank of Pakistan. NBP is one of the largest commercial banks in Pakistan, enjoying the highest credit ratings in the domestic context. In addition to representation on Board and its committees, NBP maintains oversight through yearly audits. In addition to being the sponsor, NBP has also made available credit lines to NBPL. Given the resources available with the parent bank and the size of NBPL in context of the same, access to funding is not expected to pose any concerns. Developing access to diversified sources of funding may nevertheless provide greater resilience to the company's risk profile.

On a stand-alone basis, the company has maintained sound capitalization indicators, with equity growing over time on the back of internal capital generation. Debt leverage was recorded at 0.23x at end 1Q14 and is projected to increase to about 1.3x over the next 5 years. The company's current ratio is comfortably high at 3.2x (2012: 5.0x). Projected matching of assets and liabilities is also considered prudent as long term loans will be mobilized to pursue lease growth targets.

With the change in management a few years ago, increasing focus on core leasing operations has been witnessed. Following the maturity of PIB holdings, the company's investment portfolio has shrunk to just Rs. 26m. This strategy is projected to continue going forward.

In 2013, the company diversified its lease portfolio to some extent, both in terms of client and sector wise exposures. In line with projections, the company made disbursements of Rs. 601m (2012: Rs. 493m). Pace of financing activity has so far been slow, with disbursements of only Rs. 180m by the end of May 2014 as against a full year target of Rs. 800m.

Portfolio quality has depicted some improvement on account of recoveries during the year, in addition to growth in lease portfolio, which diluted gross infection to 21% (2012: 28%). Net infection was also reported lower at 9.5%. Most of the non-performing clients are being carried over from prior years; the current management is making efforts to improve asset quality by way of a two-pronged strategy that entails recoveries against NPLs and improved client selection.

Net profit for 2013 more than doubled to Rs. 26m (2012: Rs. 11m) primarily on account of lower provisioning charge for the year; higher income from lease operations also contributed to the increase in profits. Maintaining positive momentum in earnings primarily depends on the management's ability to keep asset quality intact; spreads are largely expected to remain range bound given that the company is reliant on secondary market sources of funding.

Note: Assets & liabilities, where applicable, are net of lease key money

Overview of the Institution

Incorporated in November 1995, NBP Leasing Limited is a wholly owned subsidiary of National Bank of Pakistan (NBP). Since acquiring their leasing license in 2005, the company has been principally engaged in the business of leasing, comprising finance leases only. Financial statements for 2013 were audited by Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants JCR-VIS

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: ENTITY</u>				
24-Jun-14	A+	Positive	A-1	Reaffirmed
16-Jul-13	A+	Positive	A-1	Reaffirmed
24-Jul-12	A+	Positive	A-1	Maintained
30-Jun-11	A+	Stable	A-1	Upgrade
29-Jun-10	A	Stable	A-2	Reaffirmed