RATING REPORT

NBP Leasing Limited (NBPL)

REPORT DATE:
June 23, 2015

RATING ANALYSTS:
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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A+	A-1	A+	A-1
Rating Outlook	Stable		Positive	
Rating Date	*Jun 19, '15*		*Jun 24, '14*	

COMPANY INFORMATION

Incorporated in 1995	**External Auditors:** M/s Ernst & Young Ford Rhodes Sidat Hyder – Chartered Accountants
Unlisted Public Company	**Chairman of the Board**: Mr. Tariq Jamali
Key Shareholders (with stake 5% or more):	**Chief Executive Officer**: Mr. Shahzad Enver Murad
National Bank of Pakistan – 99.9%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria: Non-Bank Financial Companies ***http://jcrvis.com.pk/Images/NBFC.pdf***
Linkages between Parent and Subsidiary companies ***http://jcrvis.com.pk/Images/criteria_parent.pdf***

NBP Leasing Limited (NBPL)

OVERVIEW OF THE INSTITUTION

Incorporated in November 1995, NBPL is a wholly owned subsidiary of 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 FY14 were audited by Ernst & Young Ford Rhodes Sidat Hyder – Chartered Accountants

RATING RATIONALE

The assigned ratings of NBP Leasing Limited (NBPL) drive strength from its association with, National Bank of Pakistan (NBP), one of the largest commercial banks in operating in the country. In addition to name sharing, credit lines have also been made available from NBP. The company is in process of securing funding lines from various financial institutions to diversify its funding base.

Total disbursements made in FY14 amounted to Rs. 450m (FY13: Rs. 601m). The same were short of the management's projections primarily due to unavailability of requisite funds in a timely manner. Nevertheless, lease portfolio (net of lease key money) stood higher by end-FY14. Sectoral concentration remains high. Moreover, client-wise concentration has increased further, with exposure against top ten clients representing 47% of the portfolio (FY13: 45%) at end-FY14. As the company's primary focus remained on the leasing business, net investment portfolio declined to Rs. 24m (FY13: Rs. 26m).

Portfolio quality exhibited some improvement as gross infection declined slightly to 20% (end-FY13: 21%) by end-FY14. Net infection also reduced to 8.5% (FY13: 9.5%). Major portion of non-performing leases relates to prior years; the management is making efforts to improve asset quality by way of a two-pronged strategy that entails recoveries against NPLs and selective disbursement of leases.

The company has maintained sound capitalization indicators, with equity growing over time on the back of internal capital generation. Debt leverage was recorded at 0.26x at end-FY14 and is projected to increase slightly to about 0.42x over the next 3 years. The company's current ratio decreased but remained comfortable at 2.8x (FY13: 3.23x) at end-FY14. Collection performance of the company, against lease bills arising during FY14 remained satisfactory, generating a steady stream of cash flows from existing assets.

With higher income from lease portfolio, recoveries and low finance cost, NBPL's pre-tax profits increased to Rs. 46.2m (FY13: Rs. 24.8m) in FY14. However, net profit was maintained at Rs. 26.3m (FY13: 25.9m). This was mainly on account of provision for deferred tax liability of Rs. 11.2m against a deferred tax asset of Rs. 5m recorded during FY13. The company projected net profit of Rs. 44.1m for FY14. In the ongoing year, the company is projecting after-tax profits of Rs. 59.5m. NBPL posted a higher net profit of Rs. 21m in 1QFY15 primarily on the back of increase in reversals in provisions and impairments. While decline in interest rates may have some drag on revenues, achievement of disbursement targets is expected to support profitability in the ongoing year.

NBP Leasing Limited (NBPL) Appendix I

FINANCIAL SUMMARY			*(amounts in PKR millions)*
BALANCE SHEET	**DEC 31, 2014**	**DEC 31, 2013**	**DEC 31, 2012**
Total Investments	24.4	25.6	30.4
Investment in Finance Lease	901	884	670
Total Assets	962	958	965
Borrowings	175	204	243
COI	-	-	-
Subordinated Loans	-	-	-
Tier-1 Equity	766.1	740.7	711.6
Net Worth	766.1	740.7	711.6
INCOME STATEMENT	**DEC 31, 2014**	**DEC 31, 2013**	**DEC 31, 2012**
Net Mark-up Income	100.7	84.5	79.1
Net (Provisioning) / Reversal	0.08	(9.84)	(19.1)
Operating Expenses	53.7	47.3	47.3
Profit (Loss) Before Tax	46.2	24.8	12.7
Profit (Loss) After Tax	26.3	25.9	11.5
RATIO ANALYSIS	**DEC 31, 2014**	**DEC 31, 2013**	**DEC 31, 2012**
Gross Infection (%)	20	21	28
Provisioning Coverage (%)	63	65	59
Net Infection (%)	8.5	9.5	13.9
Efficiency (%)	53.3	56	59.8
ROAA (%)	2.75	2.89	1.33
ROAE (%)	3.73	3.63	1.61
Current Ratio (x)	2.8	3.2	5.0

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES Appendix III

Name of Rated Entity	NBP Leasing Limited
Sector	Non-Bank Financial Institution (NBFC)
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	
Instrument Structure	N/A
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Rating History:

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
19-Jun-15	A+	A-1	Stable	Maintained
24-Jun-14	A+	A-1	Positive	Reaffirmed
16-Jul-13	A+	A-1	Positive	Reaffirmed
24-Jul-12	A+	A-1	Positive	Maintained
30-Jun-11	A+	A-1	Stable	Upgrade