



Rating Action

Lahore: (29-May-2007)

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PACRA MAINTAINS ENTITY RATINGS OF NIB BANK LIMITED (NIB) AND ASSIGNS RATING TO THE PROPOSED TFC ISSUE

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of NIB Bank Limited at A+ (Single A Plus) and A1 (A One), respectively. Meanwhile, PACRA assigns A (Single A) rating to the proposed unsecured, subordinated TFC issue of PKR 4,000mln by NIB. The ratings have been assigned a **positive** outlook. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect the strong financial profile and international identity of the principal shareholder – Temasek, and quality of the management team of the bank. While facing the challenges of a bank of recent origin, the management has developed a well conceived strategy for aggressive penetration into Commercial, SMEs and Consumer segments through roll out of robust models, with specific emphasis on risk management. Meanwhile, an appreciable progress has been made towards branch expansion, infrastructure building, and development of systems and procedures, though exerting a pressure on the profitability in the process. Considering the management's plan to acquire majority stake in Pakistan Industrial Credit & Investment Corporation Limited (PICIC), the ratings have been placed on Rating Watch with a *positive outlook*.

About the TFC Issue: NIB plans to issue listed unsecured, subordinated TFCs of PKR 4,000mln, for a tenor of 8 years. The profit payment, to be made semi-annually, will be based on 6 months KIBOR plus 180bps. The instrument is structured to redeem 0.24% of the issue amount in the first 60 months, and the remaining in six (6) equal semi-annual installments, starting from the 66th month. The TFCs have a call option, in whole or in part, subject to the approval of SBP, exercisable on any profit payment date after 60 months.

About the bank: NIB Bank Limited, formed on October 03, 2003, is listed on all the three stock exchanges in Pakistan, and currently has a network of 41 branches. Bugis Investment (Mauritius) Pte. Limited, an indirect wholly owned subsidiary of Temasek Holdings, acquired more than two-third stake in the bank in Jul05 through subscribing to fresh allotment of shares. Temasek is the investment arm of the Government of Singapore and is rated AAA by Moodys and Standard & Poors. It was established in 1974 and manages a diversified portfolio, having a market value of over USD 80bln, spanning across Singapore, Asia and OECD countries. Its investment is in companies that are involved in a wide range of activities including, telecommunications and media, financial services, property, transportation and logistics, energy and resources, infrastructure, engineering and technology, as well as pharmaceuticals and biosciences.

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