



Rating Action

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PACRA UPGRADES RATINGS OF NIB BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term and short-term entity ratings of NIB Bank Limited to AA- (Double A Minus) and A1+ (A One Plus), respectively. These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The rating of the unsecured, subordinated TFC Issue of PKR 4,000mln has been upgraded to A+ (Single A Plus), denoting a low expectation of credit risk.

The ratings reflect the bank's improved profile and market standing following amalgamation with Pakistan Industrial & Credit Investment Corporation (PICIC) and PICIC Commercial Bank limited (PCBL). Meanwhile, the financial strength and international experience of the principal shareholder – Temasek – and its enhanced focus and technical support to the bank is a critical rating factor. While accomplishing appreciable progress towards the integration process, the management is well geared to energize the extensive network in implementing its aggressive growth strategy. The profitability is likely to remain under pressure in the initial roll out phase due to high costs on additional hiring and infrastructure strengthening. However, it is expected to boost over the medium-term owing to focus on high yielding segments and targeted reduction in funding costs. While effective risk management policies and monitoring checks have been instituted, given the relatively risky nature of the targeted segments, their efficacy remains to be seen.

About the TFC Issue: NIB issued listed unsecured, subordinated TFCs of PKR 4,000mln, for a tenor of 8 years, in Feb08. The profit payment, to be made semi-annually, is based on 6 months KIBOR plus 115bps. 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 in 2003, recently acquired PICIC and its banking subsidiary (PCBL), which were merged with and into NIB with effect from December 31, 2007. As a result of this merger, NIB emerged as the seventh largest bank in the industry in terms of branch network (240 branches), having an asset base of PKR 183bln at end-Mar08. NIB also has significant stakes in asset management and insurance companies.

Bugis Investment (Mauritius) Pte. Limited, a wholly owned subsidiary of Fullerton Financial Holdings, which in turn is fully owned by Temasek Holdings, acquired majority stake in NIB in Jul05 (present ownership: 63%). Temasek is the investment arm of the Government of Singapore and is rated AAA by Moodys and Standard & Poors. It manages a diversified portfolio, having a market value of over USD 100bln, spanning across Singapore, Asia and OECD countries. Its investments are 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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