

Investment Banking

January 2016

Industry

Players

Key Numbers

Industry - Structure

Key
Developments

Breakup of NBFIs' Assets

Sector	As at end-Jun15			As at end-Jun14		
	No of. Entities	Total Assets (PKR in bln)	Assest Share in NBFIs	No of. Entities	Total Assets (PKR in bln)	Assest Share in NBFIs
Lending Institutions						
Investment Banks	7	10	1%	7	11	2%
Leasing Companies *	8	40	5%	8	36	5%
Modarabas	25	31	4%	23	30	4%
Lending Institutions Total	40	81	10%	38	77	11%
Investing Institutions						
Asset Management Companies / Investment Advisor	25	32	4%	25	30	4%
Mutual Funds	167	492	60%	160	452	63%
Discretionary & Non-Discretionary Portfolios	-	97	12%	-	72	10%
Pension Funds	17	14	2%	13	8	1%
REITs	1	23	3%	-	-	0%
Investing Institutions Total	210	658	80%	198	562	79%
NBFI's Total	250	821	100%	274	716	100%

- ◆ Scope of this presentation is limited to Investment Banks where it is being compared with NBFIs Lending Institutions (NBFI-LI).
- ◆ NBFIs Lending institutions – very small (65bps) in overall financial industry of Pakistan

* Licenses renewal of Capital Assets Leasing Corporation Limited and Security Leasing is pending.

Investment Banks

Sr. No.	Name	Jun-15		Jun-14		Jun-13	
		Assets	Share in Total Assets	Assets	Share in Total Assets	Assets	Share in Total Assets
1	Trust Investment Bank Limited	4,409	43.4%	4,687	41.8%	4,454	38.6%
2	Escorts Investment Bank Limited	1,632	16.1%	1,920	17.1%	1,491	12.9%
3	Invest Capital Investment Bank Limited	1,213	11.9%	1,327	11.8%	1,401	12.1%
4	First Dawood Investment Bank Limited	966	9.5%	1,003	8.9%	1,144	9.9%
5	First Credit & Investment Bank Limited	693	6.8%	738	6.6%	838	7.3%
6	IGI Investment Bank Limited	653	6.4%	789	7.0%	1,510	13.1%
7	Security Investment Bank Limited	586	5.8%	751	6.7%	712	6.2%
	Total	10,151	100%	11,215	100%	11,549	100%

Sr. No.	Name	Jun-15		Jun-14		Jun-13	
		Equity	Equity/ Assets	Equity	Equity/ Assets	Equity	Equity/ Assets
1	Trust Investment Bank Limited	1,135	25.7%	1,259	26.9%	611	13.7%
2	First Credit & Investment Bank Limited	662	95.6%	639	86.5%	651	77.7%
3	Security Investment Bank Limited	519	88.5%	517	68.8%	506	71.1%
4	Escorts Investment Bank Limited	489	30.0%	509	26.5%	528	35.4%
5	Invest Capital Investment Bank Limited	183	15.1%	182	13.7%	70	5.0%
6	First Dawood Investment Bank Limited	182	18.8%	56	5.5%	227	19.9%
7	IGI Investment Bank Limited	49	7.5%	32	4.1%	167	11.1%
	Total	3,220		3,193		2,760	

Sr. No.	Name	Jun-15			Jun-14			Jun-13		
		Profit	Share in Total Profit	ROE	Profit	Share in Total Profit	ROE	Profit	Share in Total Profit	ROE
1	First Credit & Investment Bank Limited	23	39.5%	1.8%	1	-0.7%	0.1%	-6	0.7%	-0.5%
2	IGI Investment Bank Limited	18	30.0%	21.5%	-136	72.9%	-68.3%	-1,083	127.0%	-78.5%
3	Trust Investment Bank Limited	14	23.9%	0.6%	4	-2.1%	0.2%	-139	16.4%	-200.2%
4	Security Investment Bank Limited *	12	20.9%	1.2%	3	-1.8%	0.3%	3	-0.3%	0.3%
5	First Dawood Investment Bank Limited	7	11.2%	2.7%	-141	75.6%	-49.8%	50	-5.9%	11.7%
6	Invest Capital Investment Bank Limited	6	10.6%	1.7%	99	-53.0%	39.2%	352	-41.2%	-159.9%
7	Escorts Investment Bank Limited	-21	-36.1%	-2.1%	-17	9.1%	-1.6%	-29	3.4%	-2.8%
	Total	58	100%		(186)	100%		(853)	100%	

* Security Investment Bank | Year end December

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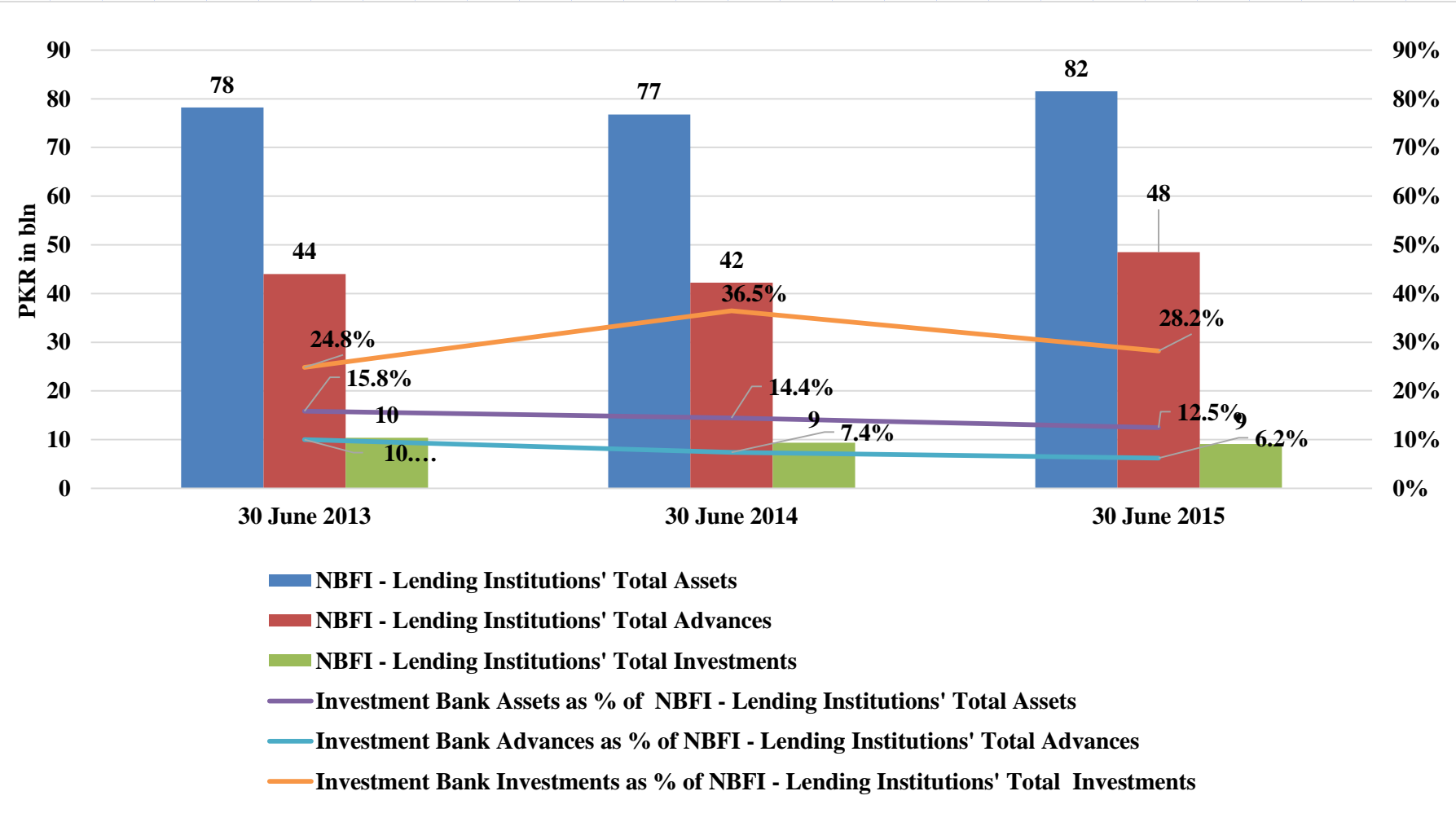
Key Developments

Rated Universe

Sr #	Investment Banks	Rating Agency	Current Ratings	Outlook	Action	Last Rating Change
1	First Credit and Investment Bank Limited	JCR-VIS	A-/A2	Stable	Maintain (Dec-14)	Upgrade (Dec-08)
2	Security Investment Bank Limited	JCR-VIS	BBB+/A2	Stable	Downgrade (Jul-15)	Downgrade (Jul-15)
3	Escorts Investment Bank	PACRA	BBB/A3	Stable	Maintain (Mar-15)	Upgrade (Mar-12)
4	IGI Investment Bank	PACRA	BBB-/A3	Positive	Maintain (Jan-15)	Downgrade (Mar-14)

◆ Owing to constrained business performance of the players, most of them are rated in lower investment grade category.

Investment Banks' Share in NBFIs - Lending Institutions



Breakup of Deposits as at end-Jun15

Category	PKR in mln				Percentage of Total Deposit
	Leasing Companies	Modarabas	Investment Banks	Total	
Individual	8,452	3,815	1,023	13,290	73%
Corporate	975	1,466	522	2,962	16%
Trust	36	775	194	1,005	6%
Govt. Entities	-	-	822	822	5%
Financial Institutions	20	135	22	176	1%
Total	9,483	6,190	2,583	18,256	100%

Breakup of Deposits as at end-Jun15

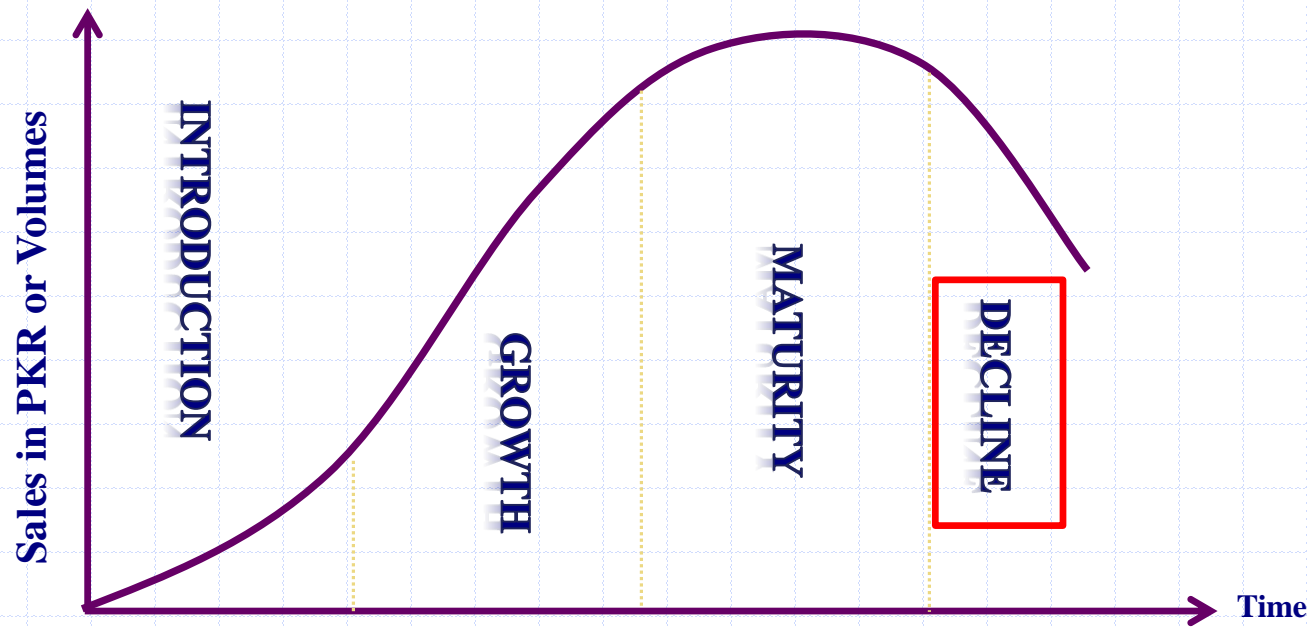
Category	PKR in mln		
	Leasing Companies	Modarabas	Investment Banks
Individual	89.1%	61.6%	39.6%
Corporate	10.3%	23.7%	20.2%
Trust	0.4%	12.5%	7.5%
Govt. Entities	0.0%	0.0%	31.8%
Financial Institutions	0.2%	2.2%	0.9%
Total	9,483	6,190	2,583

Industry Structure

- ◆ Investment banks in Pakistan are offering number of capital market products and advisory services. Moreover, few investment banks after obtaining leasing and other licenses are providing multiple products.



Industry Lifecycle



- ◆ Decline phase unless Investment Banks innovate

Nature of Product

- ◆ Commodity due to similar product nature – leasing and financing

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Competitiveness of Investment Banks

Operating Environment

- Not Operating in isolation
- Part of a broad financial industry providing tough operating environment

Bargaining power of Suppliers

- Deposit holders – the Supplier
- High owing to severe competition from banking industry offering ease of services due to its large branch outreach.

Bargaining power of Customers

- Borrowers – the Customers
- High bargaining power owing to multiple channels available to them

Threat of New Entrants

- Within Investment Banking industry survival is a challenge thus posing limited threat of new entrant
- In the overall financial industry, threat is low due to large capital investment

Intensity of Competitive Rivalry

- Very high as shown by small share in the total financing industry

Threat of Substitute Products

- High due to similar nature of products being offered by other financial institutions

Industry – Key Developments

➤ Amendments in NBFCs Prudential Regulations 2008 have been issued in November 2015. The salient features of these regulations are as follows:

Form of Business	Minimum Equity Requirement
New deposit taking NBFCs for obtaining license of Investment Finance Services or Lending or Discounting or Housing Finance Services	PKR 1,000mln
Existing NBFCs with valid deposit taking permission having Investment Finance Services license **	PKR 750mln
Existing NBFCs with valid deposit taking permission having leasing license	PKR 500mln
Non-deposit taking NBFCs for Investment Finance Services license	PKR 100mln
Non-bank Microfinance Company for Investment Finance Services license*	PKR 50mln
Non-deposit taking NBFCs for lending or Discounting or Housing Finance Services license	PKR 50mln for each form of business
Asset Management Services	PKR 200mln
Investment Advisory Services	PKR 30mln

Industry – Key Developments

1. Deposit taking ability of NBFIs has been linked with the credit rating in the following manner:

Credit Rating	Total deposits from all sources including deposits from individuals, sole proprietors, provident/gratuity funds, trusts, charitable institutions and section 42 companies	Deposits from individuals, sole proprietors, provident/gratuity funds, trusts, charitable institutions and section 42 companies
AA- and above	5 times of equity	4 times of equity
A to A+	3 times of equity	2 times of equity
BBB to BBB+	2 times of equity	Nil

2. Concept of CAR for NBFIs has also been introduced (minimum 8% for first two years of the implementation of these regulation and 10% afterwards)
3. NPLs' classification criteria and provisioning requirements have also been changed.

Bibliography

1. **Modaraba Year Book** – 2014, 2013, 2012 - <http://www.nbfi-modaraba.com.pk/>
2. **SECP Monthly Sector Summary** - http://www.secp.gov.pk/SCD/scd_mss.asp
3. **SBP Quarterly Compendium of the Banking System** - <http://www.sbp.org.pk/ecodata/fsi.asp>

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