



The Pakistan Credit Rating Agency Limited

NATIONAL BANK OF PAKISTAN (NBP) RATINGS REPORT

	NEW [JUNE-17]	PREVIOUS [JUNE-16]
Entity		
Long Term	AAA	AAA
Short Term	A1+	A1+
Outlook	Stable	Stable

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National Bank of Pakistan (NBP)

	PKR mln			
BALANCE SHEET	31-Mar-17	31-Dec-16	31-Dec-15	31-Dec-14
Earning Assets				
Advances (Net of NPL)	635,696	662,060	564,572	607,223
Debt Instruments	65,442	56,275	20,204	7,519
Total Finances	701,138	718,335	584,776	614,742
Investments	917,649	850,742	806,287	551,294
Others	77,893	134,459	24,266	129,703
	1,696,680	1,703,536	1,415,328	1,295,738
Non Earning Assets				
Non-Earning Cash	126,105	160,915	154,457	92,165
Deferred Tax	3,816	5,136	9,669	9,878
Net Non-Performing Finances	2,821	(4,557)	16,306	22,433
Fixed Assets & Others	106,338	110,676	110,601	122,840
	239,079	272,170	291,033	247,316
TOTAL ASSETS	1,935,759	1,975,706	1,706,361	1,543,054
Interest Bearing Liabilities				
Deposits	1,588,386	1,657,312	1,431,037	1,233,525
Borrowings	65,461	44,890	21,947	37,554
	1,653,846	1,702,202	1,452,984	1,271,080
Non Interest Bearing Liabilities	114,892	96,771	85,026	93,646
TOTAL LIABILITIES	1,768,739	1,798,973	1,538,010	1,364,725
EQUITY (including revaluation surplus)	167,020	176,733	168,351	178,329
Total Liabilities & Equity	1,935,759	1,975,706	1,706,361	1,543,054

INCOME STATEMENT	31-Mar-17	31-Dec-16	31-Dec-15	31-Dec-14
Interest / Mark up Earned	27,340	114,403	113,662	114,174
Interest / Mark up Expensed	(15,052)	(59,578)	(59,941)	(70,007)
Net Interest / Markup revenue	12,288	54,824	53,721	44,166
Other Income	7,399	29,967	34,983	31,472
Total Revenue	19,687	84,791	88,704	75,639
Non-Interest / Non-Mark up Expensed	(12,963)	(48,351)	(43,667)	(42,561)
Pre-provision operating profit	6,724	36,440	45,037	33,078
Provisions	(73)	701	(11,821)	(11,077)
Pre-tax profit	6,651	37,141	33,216	22,001
Taxes	(2,449)	(14,389)	(13,997)	(6,973)
Net Income	4,202	22,752	19,219	15,028

Ratio Analysis	31-Mar-17	31-Dec-16	31-Dec-15	31-Dec-14
Performance				
ROE	15%	19%	17%	14%
Cost-to-Total Net Revenue	67%	58%	50%	59%
Provision Expense / Pre Provision Profit	1%	-2%	26%	33%
Capital Adequacy				
Equity/Total Assets	6%	6%	7%	7%
Capital Adequacy Ratio as per SBP	14%	17%	18%	17%
Funding & Liquidity				
Liquid Assets / Deposits and Borrowings	67%	67%	67%	59%
Advances / Deposits	41%	40%	40%	51%
CASA deposits / Total Customer Deposits	71%	69%	73%	73%
Intermediation Efficiency				
Asset Yield	7%	7%	9%	10%
Cost of Funds	4%	4%	5%	7%
Spread	3%	3%	4%	3%
Outreach				
Branches	1,450	1,448	1,403	1,377

CREDIT RATING SCALE & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.	<p>A1+: The highest capacity for timely repayment.</p> <p>A1: A strong capacity for timely repayment.</p> <p>A2: A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p>A3: An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p>B: The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p>C: An inadequate capacity to ensure timely repayment.</p>
AA+	Very high credit quality. Very low expectation of credit risk.	
AA	Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	
AA-		
A+	High credit quality. Low expectation of credit risk.	
A	The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	
A-		
BBB+	Good credit quality. Currently a low expectation of credit risk.	
BBB	The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.	
BBB-		
BB+	Moderate risk. Possibility of credit risk developing.	
BB	There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.	
BB-		
B+	High credit risk.	
B	A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.	
B-		
CCC	Very high credit risk. Substantial credit risk	
CC	“CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.	
C		
D	Obligations are currently in default.	

Outlook (Stable, Positive, Negative, Developing)
Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

Rating Watch
Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.

Suspension
It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn
A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults, or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information

Disclaimer: PACRA's ratings are an assessment of the credit standing of entities/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.



Name of Issuer
Sector
Type of Relationship

National bank of Pakistan Limited
Banking
Solicited

Purpose of the Rating

Independent Risk Assessment
Regulatory Requirement

Rating History

Dissemination Date	Long Term	Short Term	Outlook	Action
23-Jun-17	AAA	A1+	Stable	Maintain
30-Jun-16	AAA	A1+	Stable	Maintain
30-Jun-15	AAA	A1+	Stable	Initial

Related Criteria and Research

Rating Methodology
Sector Research

Bank Rating Methodology
Banking Sector - Viewpoint | Jun-17

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[Rating Team Statement](#)

Rating Procedure

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

[Disclaimer](#)

Rating Shopping

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PACRA ensures that the credit rating assigned to an entity or instrument should not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship

Surveillance

PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security arrangement, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer

PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so

PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating

Reporting of Misconduct

PACRA has framed and implemented whistle-blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employees of the company that came to his/her knowledge. The Compliance Officer reports to the BoD and SECP

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[Probability of Default \(PD\)](#)

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