RATING REPORT

First Credit and Investment Bank Limited

REPORT DATE:
December 30, 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-2	A-	A-2
Rating Outlook	Stable		Stable	
Outlook Date	*Dec 30, '15*		*Dec 24, '14*	

COMPANY INFORMATION

Incorporated in 1989	**External auditors:** Grant Thornton Anjum Rahman Chartered Accountants
Non-Banking Finance Company	**Chairman of the Board:**Mr. Wajahat A. Baqai
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:**Mr. Ahsanullah Khan
National Bank of Pakistan (NBP) - 30.8%	
Water and Power Development Authority (WAPDA) - 30.8%	
Sardar Mohammad Ashraf D. Baluch & Co. (Pvt) Ltd - 27.1%	
Lilley International (Pvt) Ltd - 10.2%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria *http://www.jcrvis.com.pk/Images/NBFC.pdf*

First Credit and Investment Bank Limited

OVERVIEW OF THE INSTITUTION

FCIBL was incorporated in 1989, as a private limited company. Later in 2003, it was converted into a public limited company and got license for conducting investment finance services. The bank is listed on the Karachi Stock Exchange. The financial statements for FY15 have been audited by Grant Thornton Anjum Rahman Chartered Accountants.

RATING RATIONALE

The ratings assigned to First Credit and Investment Bank Limited (FCIBL) take into account the shareholding structure of the institution, with National Bank of Pakistan (NBP) and Water and Power Development Authority, each having a stake of 30.8% in the institution. Adjusted for deficit on revaluation of investments, net equity amounted to 663.3m (FY15: Rs. 662.4m, FY14: Rs. 639.0m) at end-September 2015. As per recent amendments in NBFC regulations issued by SECP, companies providing investment finance service are required to have a minimum capital of Rs. 750m at end-November 2016.

Asset base of FCIBL depicts a downward trajectory on a timeline basis. At end-1Q16, total assets declined to Rs. 677.3m (FY15: Rs. 692.6m, FY14: Rs. 737.6m) on account of repayment of long-term loan. Moreover, investments and bank placements represented more than two-thirds of assets. Almost 30% of the bank's assets, amounting to Rs. 199.0m, are deployed in TFCs, in addition to which the bank had outstanding financing facilities of Rs. 40.1m. The quality of this portfolio is weak; aggregate non-performing/restructured exposures in the TFCs and loan portfolios, adjusted for provisions, amounted to Rs. 51.3m at end-1Q16. In the backdrop of declining interest rates, operational activities of FCIBL have remained muted. However, the company plans to gradually increase its financing portfolio in the coming years. Approving authority of loans lies with the Board. FCIBL also envisages diversifying its source of income by contributing in advisory services.

Historically, profitability of the bank has remained under stress on account of sizeable non-earning assets and incremental provisioning & non-accrual of income against non-performing exposures. However, bottom line of the company depicted an increase to Rs. 23.0m (FY14: Rs. 1.4m) on the back of higher capital gains on investments and return on TDRs, during FY15. The management expects to record markup income against certain instruments, following restructuring.

The quantum of borrowings has been scaled back considerably and leverage is under 1(x). The company had a long term loan from NBP which was retired during 2015. FCIBL currently has no outstanding balance of CoDs, given that the company was restricted from raising deposits by SECP. In 1Q16, the company was allowed to raise certificate of deposits from retail and institutions. As per recent amendments in NBFC regulations issued by SECP, FCIBL is allowed to raise a maximum 2 times of its equity. Liquid assets provide adequate coverage against outstanding borrowings.

Investment portfolio of the company remains conservative with around 1/3rd of the portfolio comprising exposure in Term Finance Certificates (TFCs) while the remaining is in Term Deposit Receipts (TDRs), equity and other debt instruments. FCIBL also took fresh exposure in mutual funds which were divested during 2Q16.

The Board of Directors (BoD) comprises ten members; of these, 1 director awaits approval under fit and proper test criteria. There is one vacant position on the Board. The remaining 8 directors include 2 nominees from NBP, 2 nominees from WAPDA, 3 independent directors with the CEO being the only executive director on board.

First Credit and Investment Bank Limited — Appendix I

FINANCIAL SUMMARY *(amounts in PKR millions)*

BALANCE SHEET	JUNE 30, 2015	JUNE 30, 2014	JUNE 30, 2013
Long Term Investments	199.5	413.5	265.4
Short Term Investments	65.3	71.3	79.8
Cash & Bank Balances	8.8	0.4	5.6
Total Assets	692.6	737.5	838.1
CODs	5	5	46.6
Borrowings	20.6	86.3	187.2
Net Worth	672.7	649.4	651.2

INCOME STATEMENT	JUNE 30, 2015	JUNE 30, 2014	JUNE 30, 2013
Net Mark-up Income	47.7	43.2	43.8
Non-Markup Income	23.7	4.8	12.7
Operating Expenses	43.9	42.4	54.4
Profit Before Tax and provisions	27.0	5.5	2.0
Profit After Tax	23.0	1.4	-6.3

RATIO ANALYSIS	JUNE 30, 2015	JUNE 30, 2014	JUNE 30, 2013
Debt Leverage (x)	0.04	0.15	0.30
Efficiency (%)	84.2%	94.2%	117.4%
ROAA (%)	3.0%	0.4%	-0.6%
ROAE (%)	3.5%	0.5%	-1%
Liquid Assets to Total Liabilities (x)	1.1	0.3	0.2

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	First Credit and Investment Bank Limited
Sector	Non-Banking Finance Company
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	see table below
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		
12/30/2015	A-	A-2	Stable	Reaffirmed
12/24/2014	A-	A-2	Stable	Maintained
12/31/2013	A-	A-2	Negative	Reaffirmed
12/28/2012	A-	A-2	Negative	Reaffirmed
1/31/2012	A-	A-2	Negative	Maintained