The Pakistan Credit Rating Agency Limited

PACRA News Quarterly

Third Quarter 2004

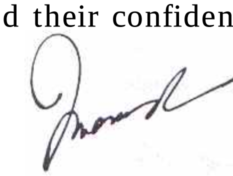
MESSAGE FROM MD

Having been incorporated in August 1994 and operational since October 1994, PACRA is on the threshold of entering the second decade of its operations. It has been an exciting and eventful journey for the company. We would like to believe that in this not so long a time, PACRA has come to be acknowledged as an important component of the improving financial infrastructure of the country. While the regulatory environment has helped in promoting the concept of credit rating, this tool has been of considerable benefit to users of ratings: depositors, TFC investors and even regulators.

In This Issue

What is a matter of pride for PACRA and its professional staff is the confidence and trust that is placed on our rating opinions. We shall continue to strive to remain worthy of this trust. We, therefore, remain committed to our resolve set out in our mission statement: ***To be accepted as a leading credit rating agency in the country through highest standards of professionalism and ethics.***

I take this opportunity to express my deep gratitude to our rating clients who, despite reservations about our rating opinions at times, have maintained their confidence in our independence and professionalism.



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The Pakistan Credit Rating Agency Limited

October 2004

INSURANCE SECTOR IN PAKISTAN

Profile:

Insurance market in Pakistan is moderate in scale with approximately PKR 31bln (USD 0.53bln) total gross premiums written during 2003, split 40:60 between life and non-life business respectively. Total life and non-life premiums written as a proportion of GDP are also relatively lower as compared to other countries in the region. At present there are more than 40 companies operating in the insurance sector in Pakistan, categorized between life and non-life, as there is a restriction on both categories to enter into the other's business.

The life insurance category, which remained nationalized during the period 1972-1990, is dominated by the state owned State life Insurance Corporation of Pakistan (SLIC), controlling three-fourth of the total market share. The remaining share is divided among four companies, all listed, operating in the private sector. Other than SLIC, the two public sector companies are the National Insurance Company Limited (NICL), the exclusive insurer for public sector assets, and Pakistan Re-Insurance Company Limited (PRCL), the only reinsurance company operating in the country. Both NICL and PRCL have been corporatized with the ultimate intention of privatization.

The general insurance (non-life insurance) sector depicts an oligopolistic composition, with the three top companies constituting 72% of the market share in terms of GPW, and the top ten accounting for 87%. Virtually, all the general insurance business underwritten in Pakistan is short-tail. Three main classes of business undertaken by the companies are (i) Fire & Property, (ii) Marine, Aviation & Transport and (iii) Motor.

Regulatory Environment:

The promulgation of the Insurance Ordinance in August 2000 heralded the beginning of a new regulatory regime for the insurance sector, which had previously been regulated under the Insurance Act of 1938. The Insurance Ordinance 2000 aims to protect the interests of policyholders and to develop the insurance market by raising capitalization standards and strengthening the solvency of insurers. The new law also provides for the redressal of policyholders' grievances pertaining to non-settlement of claims by insurers and includes various provisions to regulate the market conduct of the insurers. The law also lays down well-defined criteria for the recruitment of insurance agents, brokers, and surveyors, to encourage professionalism within the industry.

Under the new Ordinance, Securities & Exchange Commission of Pakistan (SECP) is now regulating the insurance business, which was previously regulated by the Ministry of Commerce through Controller of Insurance.

To improve and strengthen the capital base of insurance companies operating in the country, the Ordinance has made it mandatory for every insurer associated with life insurance business, to raise paid-up capital to PKR 150mln, whereas for an insurer in general insurance category the capital requirement is PKR 80mln. The Ordinance prescribed a two-stage compliance limit for such companies, which were not then compliant with the minimum capital requirement. The first stage was 31st December 2002 with PKR 100mln and PKR 50mln capital requirement for life and non-life insurance companies, respectively. Full compliance is required by 31st December 2004.This law resulted in some closures and mergers during 2002, while none were witnessed in 2003. However, given that there are still a reasonable number of insurance companies that have yet to meet the minimum capital requirement by the end of 2004, further mergers, acquisition and even closures may be witnessed.

In line with the promulgation of the Insurance Ordinance 2000, the SECP issued Insurance Rules 2002. The new rules have brought about various changes in the accounting guidelines and formats for the preparation of financial statements. These have had an impact on the calculation of unearned premium reserve, deferment of commission revenue and expense, and require creation of premium deficiency reserve. These changes, while affecting the results of the insurance companies during 2002 & 2003, are likely to bring transparency, clarity and comparability in financial reporting across the sector.

Realizing the importance of reinsurance arrangements in enhancing the capacity of the local insurance industry to honor the claims made on it, the new law lays specific emphasis on ensuring sound reinsurance arrangements. Under the new law, insurance companies are required to annually furnish necessary details of the reinsurance arrangements made by them. The SECP has also directed all the insurance companies to make re-insurance arrangements through at least "A" rated international re-insurers or alternatively get their Claims Paying Ability/ Financial Strength rated by recognized rating agencies in the country. However, the insurance companies are facing difficulties in being fully compliant with this requirement.

Also, the SECP has introduced the code of corporate governance for insurance companies in order to promote good business practices and bring uniformity throughout the insurance industry in Pakistan. The Code has been developed along the lines of the 'Code of Corporate Governance' already issued for listed companies operating in Pakistan with necessary changes, keeping in view the complex nature of the insurance industry in Pakistan. The Code emphasizes openness and transparency in corporate affairs and decision-making process. The salient features of the code include setting up of underwriting, claims settlement, reinsurance and co-insurance committees as well as audit committee and establishment of internal audit and control systems.

Performance[1] –Non-life insurance sector:

The insurance sector has shown an impressive financial performance during 2003, evidenced by substantially improved profits across the sector. The gross premiums written during the period also registered a healthy growth, attributable mainly to increased economic activity in the country and substantial rise in the private sector credit offtake.

While for the larger sized companies, the increase in profitability was attributable to the substantial improvement in underwriting results (outweighing the increase in investment income), the rise in profitability of the medium-sized companies was mainly on the back of higher investment income. The main reason for this difference in profitability attributes is the increasingly higher reliance of most of the medium sized companies on the motor insurance business, which continues to be less profitable due to the prevailing law and order situation in the country resulting in car snatching and thefts.

The difficulties encountered by the sector in making sound reinsurance arrangements at competitive pricing after 9/11 continued to persist, evidenced by increasing retentions across the sector and increasing proportion of relationships established with less than 'A' rated reinsurance companies. The sizeable YoY increase in commission income was mainly due to the prospective application of the accounting policy relating to the deferment of commission income during 2002. In real terms, the commission income as a proportion of premium ceded declined from last year.

The proportion of investments in the total assets and composition of different constituents remained the same as compared to last year. As a major part of the investment portfolios of the general insurance companies were invested in equity securities, the steep rise in the stock market index led to substantial rise in gains on trading of equity securities. Additionally, nearly all the insurance companies made substantial unrealized gains (hidden reserves) on their equity investments portfolios.

Capital & Reserves[1]:

The healthy profits during 2003 coupled with relatively higher retentions led to augmentation in the equity base. The premium solvency ratios, though having declined for companies exhibiting substantial growth, remained comfortable. Besides helping in maintaining the overall solvency requirements, the substantial unrealized gains (hidden reserves) on equity securities provide comfort against losses from underwriting or market risk for these investments. Due to strict reserve requirements envisaged in the Insurance Rules 2002, the overall underwriting provisions have increased from last year, leading to an increase in the Net underwriting provisions/NPW ratio.

Outlook:

The enhanced capital requirement is likely to usher in consolidation in the insurance sector, as under-capitalized companies would either have to merge to meet the regulatory requirement or opt for an orderly exit. This is likely to result in fewer but financially stronger insurance companies in future. Since general insurance industry is directly linked with the economic growth of the country, the current improving trend in the economy is expected to lead to higher premium income in the coming years. The increasing focus on auto financing and substantial rise in the private credit offtake is likely to further supplement this growth. The steep rise in the stock market during most of 2003 is unlikely to be replicated in 2004 and beyond. However, if needed, the companies can utilize the unrealized gains on the existing portfolios. The insurance sector getting increasingly competitive is likely to experience a new wave of competition in the future with the change of management at the leading insurance company and plans of certain financial institutions to venture into the insurance sector.

[1] The YoY performance analysis of the sector is based on the data of the top ten non-life listed companies in terms of GPW during 2003, enjoying around 87% of the market share.

ACCOUNTING FOR INVESTMENTS (Banks/DFIs), as per SBP Circulars

Reference:

1. *BSD circular no. 14 of 2004 dated 24-Sep-04*
2. *BSD circular no. 11 of 2004 dated 04-Aug-04*
3. *BSD circular no. 10 of 2004 dated 13-Jul-04*
4. *BSD circular no. 20 of 2000 dated 04-Aug-00*

PACRA RATING ACTIONS

September 30, 2004: PACRA Assigns Rating to the Proposed TFCs Issue of Jahangir Siddiqui & Company Limited

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of **"AA+"** (Double A plus) to the proposed unsecured term finance certificates issue of PKR 500mln by Jahangir Siddiqui & Co. Ltd. The rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The rating reflects the strong risk absorption capacity of the Jahangir Siddiqui & Co. Ltd. emanating from a sound capital structure. This is further augmented by highly liquid profile of the assets. The rating also recognizes the efficacy of the company's business strategy and prudence of risk management policies which are directed at maintaining asset quality while ensuring sustainability of performance. However, a sizeable exposure to the stock market makes future earnings vulnerable to volatility to some extent.

Jahangir Siddiqui & Co. Ltd. (JSCL), a listed company, was established in 1991 and the present principal shareholders include Ali Jehangir Siddiqui and Dallah Albaraka (UK) Ltd. Starting as a traditional securities firm, JSCL is now acquiring the character of a holding company. With its considerably expanded equity and asset base, the company is embarked upon new initiatives while retaining its status as the flagship company of the Jahangir Siddiqui Group. The subsidiary companies of JSCL include ABAMCO Limited, Jahangir Siddiqui Investment Bank Limited and Jahangir Siddiqui Capital Markets Ltd.; while BSJS Balanced Fund Limited is an associated company.

The proposed unsecured TFC issue of PKR 500mln is a fixed rate instrument for a tenor of 5 years carrying profit to be set at the time of issuance for the tenor at the rate of 5-year PIB yield plus 190bps payable semi-annually. The major portion of principal would be paid in two semi-annual installments beginning 54th month after the issue. A call option is exercisable from 30 th month till 54 th month at a premium of 1.0% of the then outstanding principal.

September 04, 2004: PACRA Assigns Rating to the Proposed TFC Issue of Bank Alfalah Limited

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of "AA-" (Double A miuns) to the proposed unsecured, subordinated term finance certificates issue of PKR 1,250mln by Bank Alfalah Limited. The rating denotes a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The rating reflects the improved risk absorption capacity of Bank Alfalah emanating from the increased equity base and also the maintained risk profile of assets. The rating also takes into account the effectiveness of the risk management systems, the efficacy of which stand demonstrated during the high growth mode in recent years. The strong sponsor support is also a key factor.

Bank Alfalah Limited (BAL), since its privatization in 1997, is majority owned by the Abu Dhabi Consortium. Pursuant to successful offer for sale of 20% shares by some of shareholders, the bank has been listed on the Karachi and Lahore Stock Exchange recently. BAL achieved a high asset growth in recent years making it the sixth largest bank in the country. BAL is providing a full range of banking facilities. The future strategy of the management envisages continuation of high growth through expansion of branch network and introduction of new products.

The proposed unsecured subordinated TFCs would have a tenor of 8 years carrying mark-up at a floating rate of latest 6-month KIBOR plus 1.5%. Major principal redemption will be in three equal semi-annual installments commencing from the 84th month of the issue.

August 09, 2004: PACRA Maintains IFS Rating of International General Insurance Company of Pakistan (IGI)

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) Rating of International General Insurance Company of Pakistan Limited (IGI) at 'AA' (Double A). The rating denotes a very strong capacity to meet policyholder and contract obligations.

The rating reflects the sound financial base and solvency position of the company, complemented by its rich investment portfolio having considerable revaluation surplus. The rating also takes into account the management's conservative underwriting policies and the stable nature of relatively low risk premium generation from associated companies.

August 06, 2004: PACRA & Nespak Assign A Developer Grading to Eden Developers (Pvt) Limited

The Pakistan Credit Rating Agency (PACRA) and National Engineering Services Pakistan (NESPAK) have jointly assigned Eden Developers (Pvt) Limited (EDPL) a developer grading of 'PE2' indicating a strong project execution capacity with highly promising prospects of execution of real estate projects as per plan and the ability to transfer ownership as per terms.

EDPL is the first real estate developer in Pakistan to be assigned a developer grading. The grading reflects EDPL's history of successful projects execution, its leading position as a developer, and its experienced management team supported by effective project management systems.

August 05, 2004: PACRA Assigns Ratings to NDLC-IFIC Bank Limited (NIB)

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term rating of 'A-' (Single A Minus) and a short-term rating of 'A2' (A Two) to NDLC-IFIC Bank Limited. The ratings are applicable to the senior unsecured creditors (depositors) of the bank. The Secured TFCs of PKR 500.22mln, originally issued by the former National Development Leasing Corporation Limited with the repayment obligations currently vesting in NIB, has been assigned a short-term rating of 'A1' (A One), as only the last instalment (principal amount: PKR 166.6mln), payable on December 02, 2004, is outstanding. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect the inherent constraints faced by any newly created bank in terms of the low deposit base, limited outreach and brand recognition. At the same time, the ratings also recognize management's clear vision and strategy to deal with these constraints. This strategy includes rapid branch expansion, developing market niches, establishing relationships with leading corporates, offering a diversified product menu and leveraging of the former NDLC and the former IFIC's presence in the middle market segment. Accordingly, the management of NIB has set ambitious targets covering all areas of operations for the next three years. Given the increasingly competitive banking environment, the achievement of these targets and the related timeline will require a strong management effort.

List of Publicly Disseminated Ratings

Entity Ratings:

	Name of the Organisation	Type of Rating	Date of Notification	Rating Assigned		
			MM/DD/YYYY	FS/MF/ AMR/DG	Long-Term	Short-Term
FINANCIAL SECTOR						
	MUTUAL FUNDS / ASSET MANAGEMENT COS.					
1.	ABAMCO Limited	AMR[1]	06/30/2004	AM2	---	---
2.	BSJS Balanced Fund Limited	MF[2]	05/17/2004	AA(f)	---	---
3.	National Investment (Unit) Trust – NIT	MF	09/15/2003	AA(f)	---	---
4.	Unit Trust Of Pakistan	MF	04/01/2004	AA(f)	---	---
	DFIS / INVESTMENT COS. / BROKERAGE HOUSES					
1.	House Building Finance Corporation	Entity	10/07/2003		A	A1
2.	Investment Corporation of Pakistan (ICP)	Entity	06/03/2004		---	A1+
3.	Jahangir Siddiqui & Company Limited	Entity	01/16/2004		AA+	A1+
4.	Pakistan Industrial Credit & Investment Corporation Limited (PICIC)	Entity	06/29/2004		AA	A1+
5.	Pakistan Kuwait Investment Company (Pvt) Limited	Entity	06/30/2004		AAA	A1+
6.	Pak Libya Holding Company (Pvt) Limited	Entity	06/30/2004		AA-	A1+
	MODARABAS					
1.	First Fidelity Leasing Modaraba	Entity	03/10/2004		BBB+	A2
2.	First Grindlays Modaraba	Entity	02/24/2004		AA+	A1+
3.	First Habib Modaraba	Entity	02/27/2004		AA-	A1+
4.	First Punjab Modaraba	Entity	02/25/2004		A	A1
	LEASING COMPANIES					
1.	Askari Leasing Limited	Entity	03/22/2004		A+	A1
2.	Network Leasing Corporation Limited	Entity	03/26/2004		BBB	A3
3.	Orix Leasing Pakistan Limited	Entity	03/12/2004		AA	A1+
4.	Trust Leasing Corporation Limited	Entity	01/30/2004		A+	A1
5.	Union Leasing Limited	Entity	12/31/2003		A	A1
	BANKING COMMERCIAL					
1.	AlBaraka Islamic Bank (Pakistan Branches)	Entity	06/21/2004		A-	A1
2.	Askari Commercial Bank Limited	Entity	06/24/2004		AA+	A1+
3.	Bank Al Habib Limited	Entity	06/23/2004		AA	A1+
4.	Bank Alfalah Limited	Entity	06/24/2004		AA	A1+
5.	The Bank of Punjab	Entity	06/23/2004		A+	A1

[1] Asset Manager Rating
[2] Mutual Fund Rating

	Name of the Organisation	Type of Rating	Date of Notification	Rating Assigned		
			MM/DD/YYYY	FS/MF/ AMR/DG	Long-Term	Short-Term
6.	First Women Bank Limited	Entity	08/08/2003		BBB+	A2
7.	KASB Bank Limited	Entity	04/23/2004		BBB+	A2
8.	Metropolitan Bank Limited	Entity	06/22/2004		AA+	A1+
9.	Muslim Commercial Bank Limited	Entity	06/19/2004		AA	A1+
10.	NDLC-IFIC Bank Limited	Entity	07/29/2004		A-	A2
11.	Prime Commercial Bank Limited	Entity	06/28/2004		A+	A1
12.	Saudi Pak Commercial Bank Limited	Entity	06/30/2004		BBB	A3
13.	Soneri Bank Limited	Entity	06/24/2004		AA-	A1+
14.	Union Bank Limited	Entity	06/30/2004		A+	A1
	BANKING INVESTMENT					
1.	Atlas Investment Bank Limited	Entity	02/27/2004		A-	A2
2.	First Dawood Investment Bank Limited *(Formerly Dawood Leasing Company Limited)*	Entity	01/13/2004		A+	A1
3.	First International Investment Bank Limited	Entity	01/13/2004		A	A1
4.	Jahangir Siddiqui Investment Bank Limited	Entity	02/23/2004		A+	A1
5.	Orix Investment Bank Limited	Entity	03/08/2004		A	A1
	INSURANCE COMPANIES					
1.	International General Insurance Company of Pakistan Limited (IGI)	IFS[1]	06/23/2004	AA	---	---
2.	Muslim Insurance Company Limited	IFS	09/08/2003	A	---	---
3.	New Jubilee Insurance Company Limited (NJI)	IFS	11/18/2003	AA	---	---
	REAL ESTATE DEVELOPERS & PROJECTS					
1.	Eden Developers (Pvt) Limited	DG[2]	07/01/2004	PE2	---	---
	INDUSTRIAL CORPORATES					
	TEXTILE					
1.	Azgard Nine Limited *(Formerly Legler Nafees Denim Mills Limited)*	Entity	02/25/2004		A	A1
2.	Nishat Mills Limited	Entity	01/12/2004		A+	A1
	SUGAR & ALLIED					
1.	Al-Abbas Sugar Mills Limited	Entity	04/12/2004		A-	A2
	FUEL & ENERGY					
1.	Pak-Arab Refinery Company Limited (PARCO)	Entity	03/31/2004		AAA	A1+
	TRANSPORT & COMMUNICATION					
1.	Pakistan Mobile Communications (Pvt) Limited (Mobilink)	Entity	10/15/2003		AA-	A1
2.	WorldCall Communications Limited	Entity	04/22/2004		A+	A1

[1] Insurer Financial Strength Rating
[2] Developer Grading

	Name of the Organisation	Type of Rating	Date of Notification	Rating Assigned		
			MM/DD/YYYY	FS/MF/ AMR/DG	Long-Term	Short-Term
	CHEMICAL & PHARMACEUTICALS					
1.	Engro Chemical Pakistan Limited	Entity	06/14/2004		AA-	A1+
	PAPER & BOARD					
1.	Packages Limited	Entity	04/23/2004		AA	A1+
2.	Security Papers Limited	Entity	09/25/2003		AA	A1+
	MISCELLANEOUS					
1.	Tri-Pack Films Limited	Entity	05/14/2004		A+	A1

Term Finance Certificates (TFCs) Ratings:

	Name of the Organisation	Amount PKR (mln)	Date of Notification (MM/DD/YYYY)	Date of Issue (MM/DD/YYYY)	Rating Assigned
1.	Al-Abbas Sugar Mills Limited *(Privately Placed)*	350.00	04/12/2004	07/03/2003	A
2.	Al-Noor Sugar Mills Limited	203.66	04/23/2004	10/31/2000	BBB+
3.	Atlas Investment Bank Limited – I	200.00	02/27/2004	09/27/2000	A
4.	Atlas Investment Bank Limited - II	100.00	02/27/2004	08/16/2001	A
5.	Bank Al Habib Limited	1,350.00	06/23/2004	07/16/2004	AA-
6.	Bank Alfalah Limited – I	650.00	06/24/2004	12/21/2002	AA-
7.	Bank Alfalah Limited – II	1,250.00	08/26/2004	*To be issued*	AA-
8.	Engro Chemical Pakistan Limited (2nd Tranche)	1,000.00	06/14/2004	07/06/2002	AA
9.	First Dawood Investment Bank Limited *(Formerly Dawood Leasing Company Limited)* (1st Tranche)	253.05	01/13/2004	09/21/2001	AA-
10.	First Dawood Investment Bank Limited *(Formerly Dawood Leasing Company Limited)* (2nd Tranche)	345.00	01/13/2004	07/27/2002	AA-
11.	First International Investment Bank Limited (M-Series)	57.04	01/13/2004	09/01/2001	A
12.	First International Investment Bank Limited (R-Series)	135.86	01/13/2004	09/01/2001	A
13.	Gulistan Textile Mills Limited	320.67	04/26/2004	09/05/2001	A-
14.	Jahangir Siddiqui & Company Limited – I	500.00	01/16/2004	04/18/2003	AA+
15.	Jahangir Siddiqui & Company Limited – II	500.00	09/15/2004	*To be issued*	
16.	KASB Bank Limited (Originally issued by KASB Leasing Limited)	200.00	04/23/2004	07/15/2003	A-
17.	Maple Leaf Cement Factory Limited	250.00	02/25/2004	07/20/2002	A
18.	Muslim Commercial Bank Limited	1,600.00	06/19/2004	08/10/2002	AA-
19.	NDLC-IFIC Bank Limited	500.22	07/29/2004	12/01/1999	A1*
20.	Network Leasing Corporation Limited	100.00	03/26/2004	10/08/2000	BBB+
21.	Nishat Mills Limited	600.00	01/12/2004	09/19/2001	A+
22.	Orix Leasing Pakistan Limited (1st Tranche)	742.00	03/12/2004	04/07/2001	AA+

* Short-Term Rating

	Name of the Organisation	Amount PKR (mln)	Date of Notification (MM/DD/YYYY)	Date of Issue (MM/DD/YYYY)	Rating Assigned
23.	Orix Leasing Pakistan Limited (2nd Tranche)	758.00	03/12/2004	08/01/2002	AA+
24.	Packages Limited	850.00	04/23/2004	08/01/2001	AA
25.	Pak-Arab Refinery Company Limited	2,500.00	03/31/2004	12/12/2001	AAA
26.	Securetel SPV Limited – (Securitised)	850.00	09/01/2003	04/27/2003	A
27.	Shahmurad Sugar Mills Limited	230.00	04/26/2004	05/21/2002	BBB
28.	Sui Southern Gas Company Limited (1st Tranche)	1,000.00	12/31/2003	06/01/2001	AA
29.	Sui Southern Gas Company Limited (2nd Tranche)	1,250.00	12/31/2003	06/11/2002	AA
30.	Trust Leasing Corporation Limited – I	250.00	01/30/2004	06/03/2003	AA-
31.	Trust Leasing Corporation Limited – II	375.00	03/31/2004	07/18/2004	AA-
32.	Union Bank Limited – I	750.00	06/30/2004	12/21/2002	A
33.	Union Bank Limited – II	750.00	06/30/2004	01/20/2004	A
34.	Union Leasing Limited	357.10	12/31/2003	04/20/2002	A+
35.	WorldCall Communications Limited	350.00	04/22/2004	10/01/2002	AA-
	Total Amount Issued:	21,477.74			

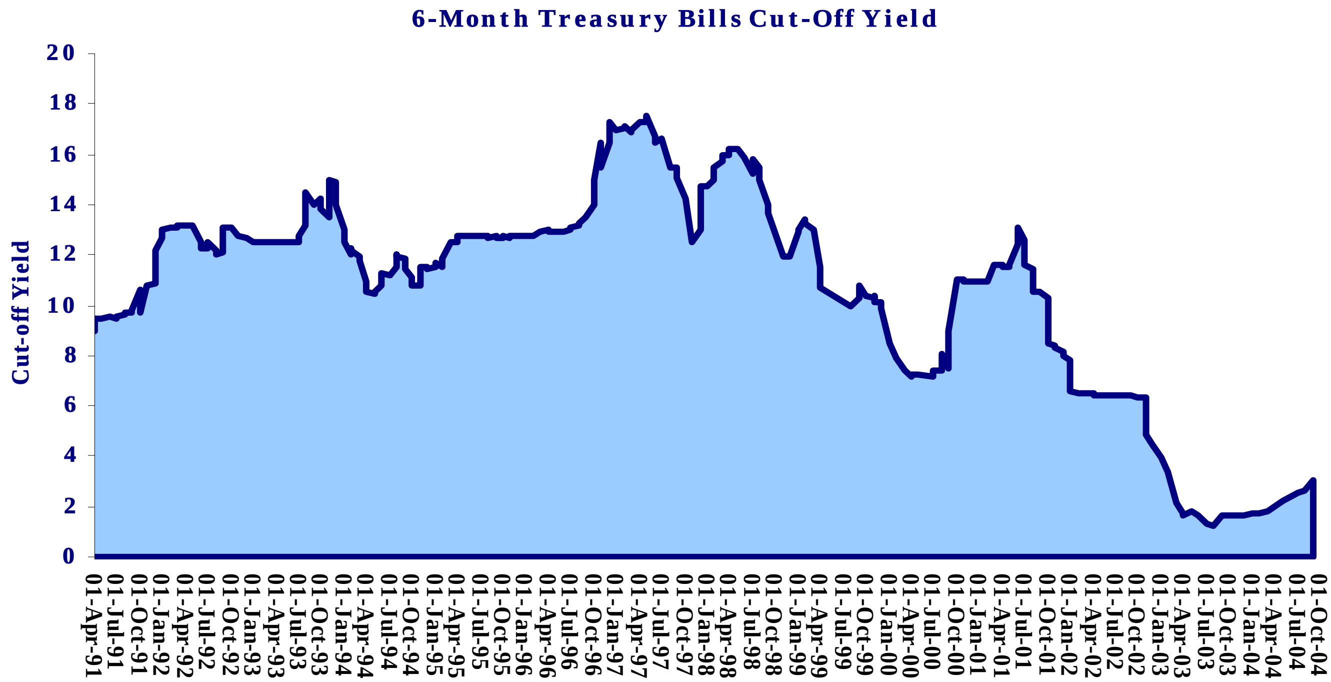
SOVEREIGN RATINGS OF SELECTED COUNTRIES

Region	Country Name	Rating Assigned (Long-Term/Short-Term)*		
		S&P	Moody's	FitchRatings
Africa				
	Egypt	BB+/B	Ba2/NP	BB+/B
	South Africa	BBB/A3	Baa2/P2	BBB/F3
America				
	Argentina	SD/SD	Caa2/NP	DDD/C
	Brazil	BB-/B	B2/NP	B+/B
	Canada	AAA/A1+	Aaa/P1	AAA/F1+
	U.S.A.	AAA/A1+	Aaa/P1	AAA/F1+
Asia Pacific				
Middle East				
	Bahrain	A-/A2	Baa1/P2	A-/F1
	Kuwait	A+/A1+	A2/P1	AA-/F1+
North Asia				
	China	BBB+/A2	A2/P2	A-/F1
	Hong Kong	A+/A1	A1/P1	AA-/F1+
	Japan	AA-/A1+	Aaa/P1	AA/F1+
	Korea	A-/A2	A3/P2	A/F1
	Taiwan	AA-/A1+	Aa3/P1	A+/F1
South Asia				
	India	BB/B	Ba2/NP	BB+/B
	Indonesia	B/B	B3/NP	B+/B
	Iran	---	---	B+/B
	Malaysia	A-/A2	Baa1/P2	BBB+/F2
	Pakistan	B/B	B2/NP	---
	Philippines	BB/B	Ba3/NP	BB+/B
	Thailand	BBB+/A2	Baa1/P2	BBB/F3
Others				
	Australia	AAA/A1+	Aaa/P1	AA+/F1+
	New Zealand	AA+/A1+	Aaa/P1	AA+/F1+
Europe				
	Belgium	AA+/A1+	Aaa/P1	AA/F1+
	France	AAA/A1+	Aaa/P1	AAA/F1+
	Germany	AAA/A1+	Aaa/P1	AAA/F1+
	Italy	AA-/A1+	Aaa/P1	AA/F1+
	Netherlands	AAA/A1+	Aaa/P1	AAA/F1+
	Russia	BB+/B	Ba1/NP	BB+/B
	Spain	AA+/A1+	Aaa/P1	AAA/F1+
	Switzerland	AAA/A1+	Aaa/P1	AAA/F1+
	U.K.	AAA/A1+	Aaa/P1	AAA/F1+

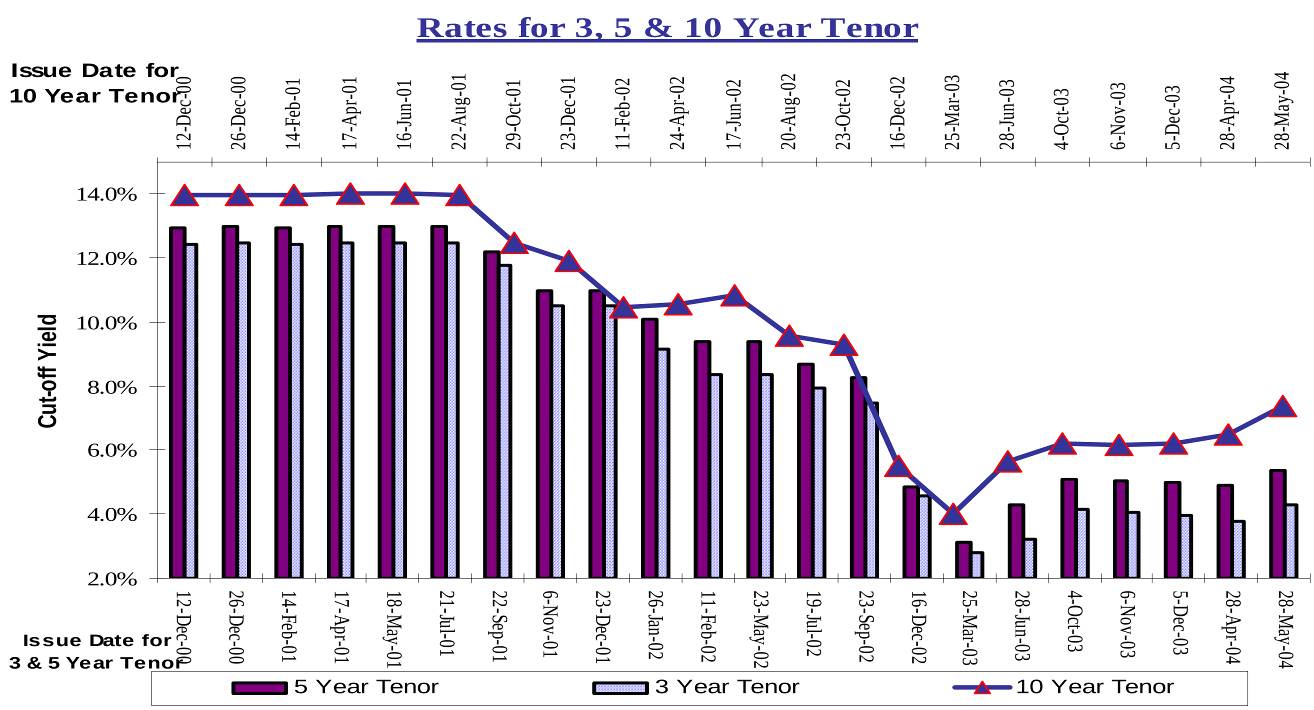
* Rating Scales are available at www.standardandpoors.com, www.moodys.com, www.fitchratings.com

INTEREST RATE TRENDS

Short Term: (Treasury Bills)



Long Term: (PIBs)



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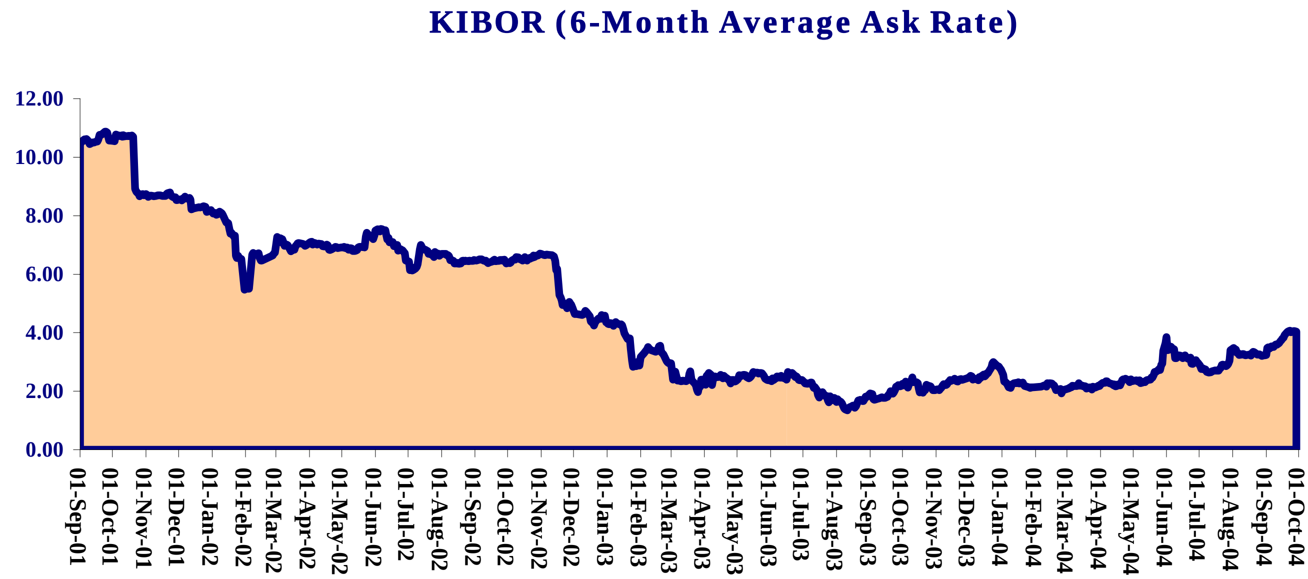
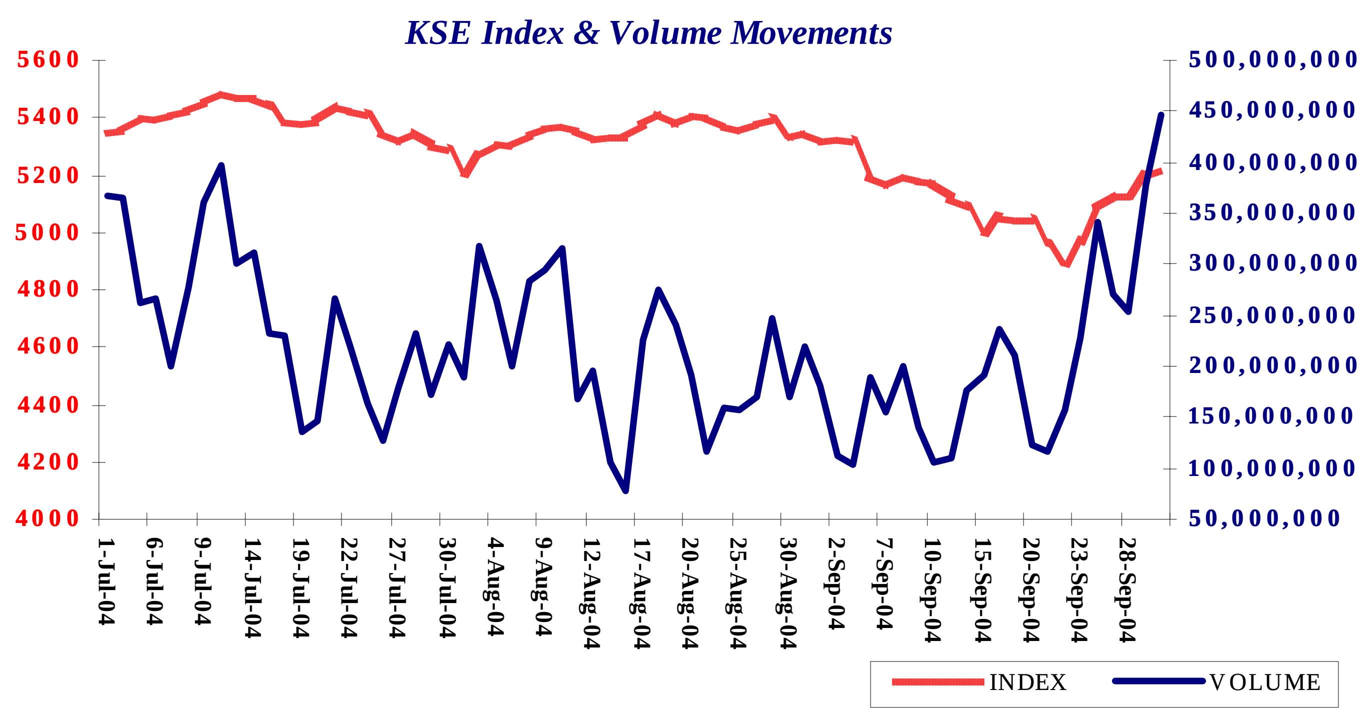


KSE-100 Index:



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