

GENERAL INSURANCE SECTOR REVIEW

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INDUSTRY BACKGROUND

1 Insurance sector, in the recent years, has achieved stellar growth. However, it still lags behind many countries in the region, and the insurance penetration in Pakistan remains as low as around 0.4% of the GDP (India: 3.3%, Malaysia: 5.3%, Sri Lanka: 1.4%). The general business still remains underinsured as compared to many other countries. Currently, there are 46 non-life insurance companies operating in the country, of which 2 are foreign while 42 are local private enterprises, one Takaful (sharia compliant) insurance company and one is state owned company. While on the legislative front there have been a lot of developments in the insurance industry over the years, the Insurance sector still suffers from operational inefficiencies.

2 The general insurance sector is highly concentrated sector with top three players (Adamjee, EFU and New Jubilee) constituting around 65% of the

In this issue

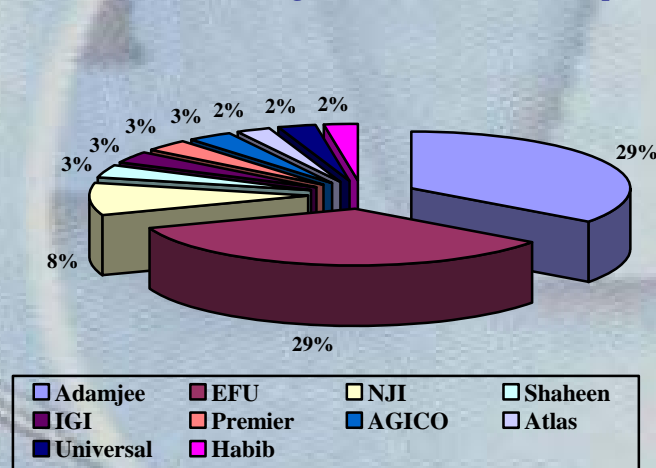
- ***General Insurance Sector Review***
- ***PACRA's Rating Actions***
- ***List of PACRA's Publicly Disseminated Ratings***
- ***Interest Rate Trends***

market, and the top ten constituting around 83%. The market share of the leading players is shown in the following diagram:

3 The insurance

While the soaring competition has resulted in price-cutting, on the positive front, it has been able to engender product innovation in the industry. Along with the increasing

Market Share of Leading Non-Life Insurance Companies



business is traditionally being conducted under the three main categories, namely Fire, Marine and Motor insurance, and the entire business underwritten is short tail. In the recent years, the sector has been facing increasing competition.

focus on health and engineering insurance, some companies have introduced new products to augment their businesses by capitalizing un-tapped areas.

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REGULATORY ENVIRONMENT

4 The Securities and Exchange Commission of Pakistan regulates the insurance industry in accordance with the Insurance Ordinance 2000. The Ordinance (i) aims to protect the interests of policyholders, (ii) develop the insurance market by raising capitalization standards and strengthening the solvency of insurers, and, (iii) provides for the redressal of policyholders' grievances pertaining to non-settlement of claims by insurers through the appointment of Insurance Ombudsman. The law also provides guidelines for reinsurance arrangements and lays down well-defined criteria for the recruitment of insurance agents, brokers, and surveyors to encourage professionalism within the industry and includes various provisions to regulate the market conduct of the insurers. In line with the promulgation of the Ordinance, the SECP issued Insurance Rules 2002. The rules have brought about various changes in the accounting guidelines and formats for the preparation of financial statements, improving transparency, clarity and comparability in the financial reporting across the sector. Specific emphasis has been placed on sound reinsurance

arrangements to enhance the capacity of the local insurance industry to honor claims. Under the law, insurance companies are required to annually furnish the necessary reinsurance arrangements made by them.

5 SECP has also 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. 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.

6 As the government is facilitating the local business houses to come up with new financial products, introduction of

Takaful (Sharia compliant insurance) is a step in that direction. SECP notified Takaful Rules in 2005, which contain detailed guidelines to conduct Takaful business. The first local Takaful company – general Takaful - has started its commercial operations. At the initial stage of this new concept, to predict the extent of success of this business is a bit difficult. However, with improving prospects of Islamic banking, Islamic Insurance could gain impetus, going forward.

7 Insurance sector has yet to adopt IAS 39 in preparing financial statements, which, among other things requires measurement of equity investments at fair value. Most of the companies have sizable equity investment portfolio, reported on cost basis. The adoption of the said IAS would result in substantial enhancement in the reported value of equity investments and, in turn, equity of insurance companies.

8 Recently, SECP after consultation with Insurance Association of Pakistan (IAP) has proposed to raise the minimum paid-up capital requirement for insurance companies. The proposed requirements are as follows:



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PKR mln	2006	2007	2008	2009	2010	2011
General Insurance	80	120	160	200	250	300
Life Insurance	150	350	400	450	500	500

The main objective to raise the paid-up capital is to improve the solvency position of individual companies. On a wider legislative front, another objective may be to consolidate the sector through the M&A process.

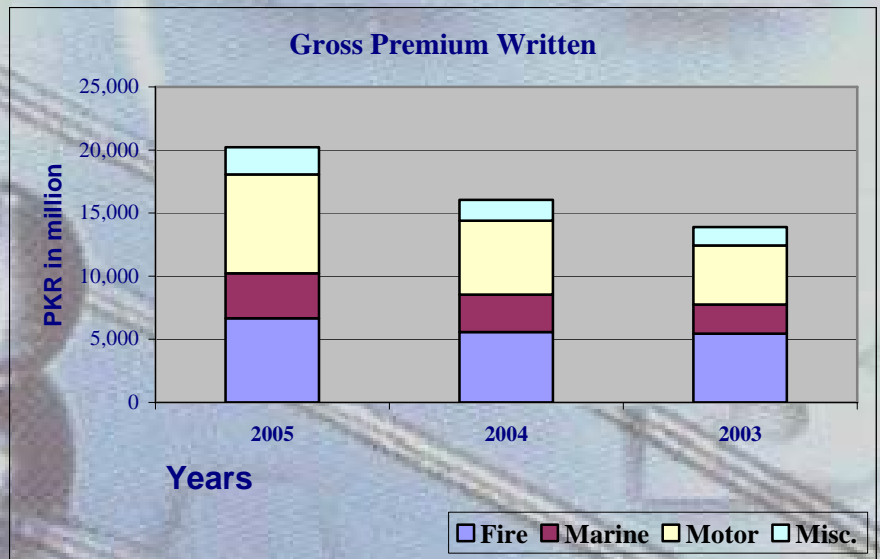
OVERALL PERFORMANCE²

9 Strong economic fundamentals coupled with robust industrial growth has enabled the insurance industry to record substantial growth in the last two years. During 2005, gross premium written posted growth of 28% as compared to 13% in the previous year. While all lines of business reflected impressive growth, motor insurance has been the fastest growing area of the general insurance sector. Rising auto sales mainly on account of increasing car-financing schemes is the main reason behind this.

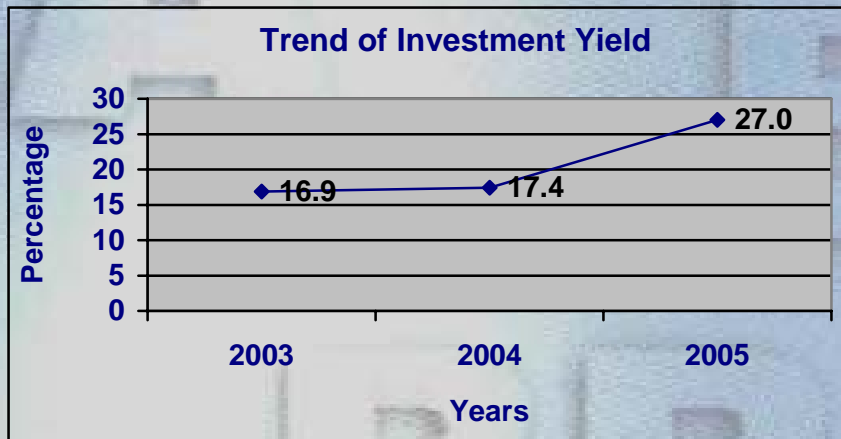
10 Except for a few small players, almost the entire local industry has been able to renew its reinsurance treaties. However, companies, capitalizing on their expanding equity base, have adopted the policy to increase their risk retention levels. This has resulted in widening the gap between gross premium written and net premium written growth rate. This strategy, with overall maintained loss ratio, helped the sector to improve its underwriting results.

11 Following the acceptance of its much awaited demand for capital gains tax

exemption, the insurance sector has emerged as one of the key beneficiaries of the previous year's budget (2005-2006). This not only brought the sector at par with other market participants, but also provided an incentive for insurance companies to enhance their capital market activities. Therefore, in 2005 the insurance sector booked hefty capital gains on its investments in the stock market. Consequently, investment income as a percentage of total operating income increased to 69% compared to 59% in the previous year, and investment yield also improved. Hence, the improved core earnings supplemented by increased investment income led to a substantial increase in the



² The YoY performance analysis of the sector is based on the data of 14 major non-life listed companies in terms of GPW during 2005, enjoying more than 85% of the market share.



overall profitability of the insurance sector.

12 During 2005, higher profit retention augmented the equity base of the sector. However, the solvency ratios remained largely the same mainly due to corresponding increase in business written. Although the overall underwriting provisions have increased from last year, higher proportionate increase in the equity base led to a reduced Net underwriting provisions/Equity ratio. Going forward, most of the companies, to support increasing level of risk retention, are expected to augment their equity base through following a conservative profit distribution policy. However, despite equity increase, solvency levels at most companies are unlikely to improve substantially due to continuing growth momentum in business.

INDUSTRY OUTLOOK

13 The growth in the insurance industry is directly linked with the economic health of the country. Given the current upbeat perception, prospects for the insurance sector appear positive. In the long run, considering the current low penetration rate, there is substantial room for growth, going forward. With public sector enterprises restricted to work only with NIC, the on going process of privatization is expanding the market for the private sector insurance companies. Meanwhile, rising industrialization, improving per capita income, construction of large infrastructure projects, increasing trade activities, rising awareness and mounting competition within the industry will help to augment the market size. The increasing focus of banks on the consumer

financing and SME is likely to engender innovation in credit linked insurance products. Meanwhile, the government is considering allowing foreign companies to operate wholly owned companies in domestic life and non-life insurance sectors, as against the current limit of holding 51% stake in a domestic company. Through this development, the local insurance sector is expected to attract reasonable quantum of foreign investment while increasing competitiveness in the sector. Heightened competition within the insurance sector is expected to improve efficiency and control systems. As administration and processing systems are complex in the insurance industry, the effective use of technology to facilitate information exchange, transaction processing and data analysis offers significant potential to reduce costs, enhance service levels and improving the overall management of the business. Hence, companies working towards developing all these requisites would be better placed to take advantage of emerging opportunities in the sector.



PACRA RATING ACTIONS

November 04, 2006: PACRA Removes Ratings of Metropolitan Bank Limited from RatingWatch

Consequent to completion of merger of Pakistan branches of Habib Bank AG Zurich with and into Metropolitan Bank Limited, PACRA removes its ratings from RatingWatch. The name of the merged entity has been changed to Habib Metropolitan Bank Limited (HMB). PACRA affirms the long-term and short-term entity ratings of HMB at "AA+" (Double A plus) 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.

Habib Bank AG Zurich (HBZ), established in 1967 in Switzerland, is the single largest shareholder (31%) in HMB and intends to increase its shareholding to 51%. HBZ, in addition to Switzerland, has banking operations, directly and through its subsidiaries, in the UK, the UAE, Canada, South Africa and Kenya.

November 02, 2006: PACRA Assigns Entity Ratings to Atlas Bank Limited

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term rating of "A-" (A minus) and a short-term rating of "A2" (A Two) to Atlas Bank Limited (ATBL). These ratings denote a low expectation of

credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect ATBL's potential capacity to establish a niche in the increasingly competitive commercial banking sector. This capacity flows from: (a) the established investment banking platform of the bank and (b) leveraging the group's franchise and established business relationship to create a captive clientele. At the same time, it could take some time for the bank to completely overcome its inherent constraints: the low deposit base, limited outreach, and pressure on spreads. The new sponsors – Atlas group – have formulated a well-conceived business strategy to deal with these constraints. The strategy includes putting in place the requisite infrastructure including a competent management team, technology initiatives and expanded branch network.

About the bank: Atlas Bank Limited, previously Dawood Bank Limited, commenced operations in March 2004. Atlas group, through its holding company – Shirazi Investments (Pvt.) Limited – and the Shirazi family, acquired majority shareholding of the bank in December 2005. On July 29 2006, Atlas Investment Bank Limited, one of the biggest investment banks in the country, was

merged with ATBL. Atlas Group, established in 1962, has diversified into various industrial and service-oriented businesses including auto, engineering, financial, and trading sectors. The bank would continue to derive benefits from its association with the Atlas group.

As a result of merger, ATBL's human resource has been strengthened. The second tier management positions have mostly been filled, while the bank is in the process of filling in some key positions, with the process expected to be completed within 2006. Going forward, stability of the core management team would play a pivotal role in successful implementation of the business strategy.

October 19, 2006: PACRA Assigns Asset Manager Rating to Alfalah GHP Investment Management Limited

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of "AM3" to Alfalah GHP Investment Management Limited (AGIM). The rating reflects the company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks.

This capacity emanates from a well-qualified and experienced



management team, a structured investment process, effective supporting systems and risk management policies. The company's association with a leading commercial bank, representing a strong business group, offers synergies in distribution and marketing of units of its mutual funds. AGIM has limited operational history, size and diversity in funds under management. Consequently, the efficacy of systems and processes needs to be fully tested.

About the company: AGIM, a subsidiary of Bank Alfalah Limited (BAL), commenced operations in March 2005. BAL, the fifth largest bank in the country in terms of total assets, has shown aggressive expansion in recent years and currently has a network of 165 branches. The Abu Dhabi Group comprising prominent members of the ruling family and leading businessmen of UAE owns the majority shareholding in the bank. The Group has expanded its investments in Pakistan in the financial, telecommunication and real-estate sectors. The other equity partner, with 20% shareholding, is GHP Financial Services – an international portfolio management and investment advisory company based in Switzerland. GHP provided technical support to the company in the initial process of development of systems and processes, and is also involved in major policy and strategic decisions.

AGIM currently has one Fund under management – Alfalah

GHP Value Fund – an open-end broad based asset allocation fund. The CEO, Mr. Abdul Aziz Anis, a Chartered Financial Analyst, has considerable experience in Pakistan's capital markets.

[October 18, 2006: PACRA Downgrades Ratings of Network Leasing Corporation Limited to "D"](#)

The Pakistan Credit Rating Agency Limited (PACRA) has downgraded the entity ratings of Network Leasing Corporation Limited (NLCL) to "D". The downgrade follows PACRA's earlier action of placing the ratings on RatingWatch with negative implications. This was followed by a detailed review of current position and discussions with management.

The management has advised PACRA that it has sought certain concessions from its creditors including extension in repayment terms and is also working on a revival plan including, inter-alia, injection of fresh equity. Meanwhile, PACRA would continue to monitor all related developments.

[October 12, 2006: PACRA Places Ratings of Prime Commercial Bank and its TFCs on RatingWatch](#)

The Pakistan Credit Rating Agency Limited (PACRA) has placed entity and TFC ratings of Prime Commercial Bank Limited (Entity Long-term: **A+**, Short-term **A1**, TFC: **A**) on Rating Watch with positive implications.

The rating action emanates from ABN AMRO Bank's intention to acquire majority ownership stake in Prime Bank. ABN AMRO Bank is in the process of initiating a formal due diligence exercise.

PACRA would continue monitoring all related developments, while the ratings would remain on the Rating Watch till the conclusion of the said transaction. The ratings would be reaffirmed thereafter, particularly after reviewing the implications with reference to business prospects and risk profile of the bank.

[October 07, 2006: PACRA Places Ratings of Network Leasing Corporation Limited on RatingWatch](#)

The ratings of Network Leasing (Long-term: BBB, Short-term: A3) have been placed on RatingWatch with negative implications. This rating action is based on the emerging uncertainty casting doubt about the company's ability to continue as a going concern. This situation has developed due to substantial erosion in equity emanating primarily from exceptional losses in the company's investment portfolio. The company has also temporarily suspended lease disbursements.

The management is working on a plan to raise the equity of the company to PKR 500mln and to undertake investment-banking services. Meanwhile, PACRA is closely monitoring related developments and is in the process of detailed review;



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and final ratings would be notified thereafter.

October 02, 2006: PACRA Assigns Entity Ratings to KASB Securities Limited

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "A+" (Single A plus) and a short-term rating of "A1" (A one) to KASB Securities Limited. These ratings indicate a low expectation of credit risk and a strong capacity for timely payment of financial commitments.

The ratings reflect the company's strong position in the country's capital market industry, an outcome of its established franchise supported by an advanced technology infrastructure, effective risk management systems and extensive research skills. Meanwhile, the company's investment banking division, while adding diversity, supplements core revenues. The company's association with Merrill Lynch – one of the world's largest investment banking and asset management entities – is also a key rating factor.

About the Company: KASB Securities Limited is a successor to brokerage business started by Mr. Khadim Ali Shah Bukhari (Late) in mid fifties, corporatized in 1991 as Khadim Ali Shah Bukhari & Company Limited. Later on it was merged with KASB Bank Limited (KBL) in 2003 subsequent to its acquisition by KASB group. Simultaneous

to the merger, KSL was incorporated as a wholly-owned subsidiary of the bank with transfer of all brokerage related business. KSL, mainly a brokerage house, provides a range of services including investment banking, research, strategic portfolio management and investment consultancy. The current CEO, Mr. Farrukh H. Sabzwari, an MBA, joined the company in Jan 2005 and holds over 14 years of experience in investment banking and broking businesses. A team of experienced professionals backs him. The company continues to focus on its core areas of expertise and has successfully improved the quality of its research products and execution ability while also strengthening its relationship with Merrill Lynch.

September 25, 2006: PACRA Assigns Entity ratings to First Capital Equities Limited (FCEL)

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term rating of "A" (Single A) and a short-term rating of "A1" (A One) to First Capital Equities Limited (FCEL). These ratings denote a low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

The ratings reflect FCEL's consistently good performance emanating from its core brokerage business. The company's distinctive strategy of targeting retail investors adds stability to its revenues. In line with its strategy, the

company is establishing an extensive branch network, which would provide access to a countrywide large number of customers. The ratings also take into account FCEL's overall risk management systems and improving IT infrastructure.

About the Company: FCEL, incorporated in 1995, is listed on the Lahore Stock Exchange and is a subsidiary of First Capital Securities Corporation Limited (FCSC) (67.4% shareholding at end-05). FCSC, a leading investment and financial services company and listed on all three stock exchanges of the country, serves as the main holding company for the WorldCALL/First Capital Group. The Group has interest in a number of companies that are offering financial, insurance, media & telecommunication, and real estate services. The main sponsors of the Group include Mr. Sulieman Ahmed Said Al-Hoqani (20% direct shareholding in FCEL as at end-05) – an Omani investor with over US\$ 130mln investments in Pakistan – and Mr. Salmaan Taseer and associates. FCEL benefits from the franchise value emanating from its association with the country's well-known WorldCall/First Capital Group.

September 21, 2006: PACRA Assigns Rating to the Proposed TFC Issue of Bank Al Habib Limited (BAHL)

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a rating of "AA-"



(Double A minus) to the proposed unsecured, subordinated term finance certificates issue of PKR 1,500mIn by Bank AL Habib 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 BAHL's low risk appetite reflective in its very good asset quality. The commitment of the management to protect the established brand image through service quality and prudent banking practices supplements its core business strategy. Meanwhile, continuous efforts of the bank to further strengthen the risk management systems is considered a key-rating factor. At the same time, the ratings recognize the bank's ability to sustain relative performance through continuing focus on business expansion and product innovation in the fast changing dynamics of the banking sector.

About the issuer - the bank:

BAHL's sponsors are members of the Habib family – the oldest and a distinguished name in Pakistan's banking circles. They are active in the management of the bank and are backed by a team of experienced professionals most of which have been with the bank since its inception.

The bank's main activities are short-term lending, mainly trade finance related and seasonal running finance. Its future strategy envisages

growth through further expansion of branch network, while maintaining the Habib hallmark of a conservative risk profile. BAHL continues to strengthen its technological platform and human resource base.

About the TFC issue: The proposed unsecured subordinated TFCs would have a tenor of 8 years carrying profit at a floating rate of 6-month KIBOR plus 1.95%, payable semi-annually. Major principal redemption will be in two equal semi-annual installments commencing from the 90th month of the issue.

September 18, 2006:
PACRA Assigns IFS Rating to Shaheen Insurance Company Limited (SIC)

The Pakistan Credit Rating Agency (PACRA) has assigned an Insurer Financial Strength rating of "A-" (single A minus) to Shaheen Insurance Company Limited (SIC). The rating denotes strong capacity to meet policyholder and contract obligations. At the same time, risk factors are moderate, and the impact of adverse and economic factors is expected to be modest.

SIC's rating reflects the improving trend in profitability, both from underwriting operations and contribution on account of investment income. The company's solvency position and equity base in relation to premium written is relatively constrained at present due to aggressive growth in business in the past

couple of years. However, with expected augmentation in the equity base through improved profitability, increasing size of the investment portfolio, and moderate growth targets in the coming years, the risk profile of the company is expected to improve. Meanwhile, the rating also factors in the recent initiatives by the management for improving the technology infrastructure within the company, aimed at enhancing the efficiency of operations and strengthening controls.

About the company: SIC commenced commercial operations as a general insurance company in 1995, and is currently listed on all three bourses of the country. With its head office in Karachi, the company has a nationwide network of over 20 branches and liaison offices. The company has three major shareholders, a). Hollard Insurance Company Limited (HICL); b). First Capital Security Corporation (FSCL); c). Shaheen Foundation (SF), each having around 30% stake in the company.

HICL, the third largest insurance company in South Africa and having stakes in various companies operating in different sectors, has a group annual gross premium of over USD 1bln. FCSL, a World Call Group company, is one of the leading investment and financial services company in the country. SF, established in 1977, essentially to promote welfare activities for the benefit of serving and retired Pakistan Air Force personnel has diversified operations



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including aviation, textile, real estate, insurance and education.

September 14, 2006:
PACRA Maintains Entity Ratings of National Refinery Limited (NRL)

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and the short-term entity ratings of National Refinery Limited (NRL) at **"AAA"** (Triple A) and **"A1+"** (A One Plus), respectively. The ratings denote the lowest expectation of credit risk emanating from exceptionally strong capacity for timely payments of financial commitments.

The ratings reflect NRL's sustained dominant market position being the only refining complex in the country with both lube and fuel operations. The ratings also recognize the company's higher operational flexibility, which is critical in the changing market dynamics. This is evident from NRL's ability to keep the margins largely insulated from the cyclicity of the refining industry. The ratings also factor in the company's very strong financial profile emanating from a debt free capital structure and robust liquidity. Meanwhile, the profit retention policy has enhanced the risk absorption capacity of the company and this provides a cushion against any unforeseen contingencies. The benefits accruing to the company from its association with the only fully integrated group in the petroleum sector

of the country is also a key-rating factor.

About the Company: NRL, incorporated as a public limited company in 1963, was taken over by the government of Pakistan (GoP) under the Economic reforms Order, 1972. As a result of GoP's privatization process, Attock Group through its companies – Pakistan Oilfields Limited, Attock Refinery Limited and Attock Petroleum Limited – acquired majority shareholding (51%) of NRL and the management control was transferred in July 2005. The new Chief Executive, Mr. Shuaib A. Malik, having extensive experience in both upstream and downstream segments of oil business, has been associated with the Attock Group for over two decades.

September 11, 2006:
PACRA Upgrades Entity & TFCs Ratings Union Bank Limited (UnBL)

PACRA has upgraded long-term rating of Union Bank Limited to **"AA+"** (Double A plus), while maintaining its short-term rating at **"A1+"** (A one plus). The bank's three listed, subordinated TFCs are assigned ratings of **"AA"** (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. The rating action follows the acquisition of majority shareholding (95%) in Union Bank by Standard Chartered Bank (Pakistan) Limited (SCBP). SCBP is a

wholly owned subsidiary of Standard Chartered PLC, the parent of Standard Chartered Bank (SCB), which carries international long-term rating of **"A+"** by Standard & Poor's.

SC is in the process of merging SCB, Pakistan Branches and Union Bank with and into SCBP. The combined entity would be Pakistan's sixth largest bank, in terms of total assets, with a fuller range of products and services, a stronger operating platform, a wider distribution network and an improved risk profile.

September 04, 2006:
PACRA Assigns Entity Ratings to Trakker (Pvt) Limited

The Pakistan Credit Rating Agency (PACRA) has assigned a long-term credit rating of **"A-"** (Single A Minus) and a short-term rating of **"A2"** (A Two) to Trakker (Pvt.) Limited. The ratings denote a low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments.

The ratings reflect the company's leadership position in the vehicle-tracking service sector, emanating from its successful track record, superior technology platform, and quality of human resource and systems and processes. The performance of the company is expected to improve on the back of robust demand for vehicle tracking services and targeted reduction in operating costs. The financial leverage of the



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company is expected to remain relatively high in the near-term due to financing requirements for capital expenditure and company's recent strategic investments. However, it is expected to decline with augmentation in the equity base through improved profitability, going forward.

About the company: Trakker (Pvt.) Ltd. (TPL) is Pakistan's first and the largest vehicle tracking and fleet management company, operational since 2000. With branches in six cities, the company has the nationwide network coverage extended to 600 cities. Digicore Group, the company's international joint venture partner based in South Africa, is primarily into fleet management for the last 20 years and is also renowned for manufacturing quality telematics products. The group has an extensive international presence through partners in Europe, mainly UK, Brazil, Nigeria, The Middle East and Kenya. TPL diversified its business in Jul 05 by launching *Trakker Direct Insurance Ltd.* – Pakistan's first call centre based motor insurance company. The company, in joint venture arrangements with two leading business groups of UAE, has also recently established a vehicle tracking and fleet management company – Trakker Middle East LLC – in Abu Dhabi for capturing the markets of UAE and other GCC countries.



List of Publicly Disseminated Ratings

Entity Ratings:

	Name of the Organisation	Type of Rating	Date of Notification MM/DD/YYYY	Rating Assigned		
				FS/FR/ AMR/DG	Long- Term	Short- Term
FINANCIAL SECTOR						
ASSET MANAGEMENT COMPANIES						
1.	ABAMCO Limited	AMR ¹	12/20/2005	AM2	---	---
2.	Alfalah GHP Investment Management Limited	AMR	09/06/2006	AM3	---	---
3.	Arif Habib Investment Management Limited	AMR	12/20/2005	AM2	---	---
4.	Atlas Asset Management Limited	AMR	12/08/2005	AM3+	---	---
5.	Crosby Asset Management (Pakistan) Limited	AMR	12/30/2005	AM4	---	---
6.	Dawood Capital Management Limited	AMR	04/26/2006	AM3	---	---
MUTUAL FUNDS						
Equity Funds						
1.	ABAMCO Composite Fund (ACoF)	FR ²	03/28/2006	4-Star	---	---
2.	Atlas Stock Market Fund (ASMF)	FR	03/24/2006	4-Star	---	---
3.	Crosby Dragon Fund (CDF)	FR	03/22/2006	3-Star	---	---
4.	National Investment (Unit) Trust – NIT	FR	03/20/2006	4-Star	---	---
5.	Pakistan Premier Fund (PPF)	FR	03/20/2006	5-Star	---	---
6.	Pakistan Stock Market Fund (PSMF)	FR	03/16/2006	5-Star	---	---
7.	Pakistan Strategic Allocation Fund (PSAF)	FR	03/21/2006	5-Star	---	---
Income Funds						
8.	Atlas Income Fund (AIF)	FR	02/16/2006	4-Star	---	---
9.	Dawood Money Market Fund (DMMF)	FR	04/20/2006	5-Star	---	---
10.	Pakistan Income Fund (PIF)	FR	02/10/2006	4-Star	---	---
11.	UTP-Income Fund (UTP-IF)	FR	02/10/2006	5-Star	---	---
Balanced Funds						
12.	Atlas Fund of Funds (AFoF)	FR	06/30/2006	4-Star	---	---
13.	BSJS Balanced Fund (BBF)	FR	03/28/2006	4-Star	---	---
14.	Unit Trust of Pakistan (UTP)	FR	03/22/2006	5-Star	---	---
Islamic Funds						
15.	Al Meezan Mutual Fund (AMMF)	FR	06/23/2006	5-Star	---	---
16.	Meezan Balanced Fund (MBF)	FR	06/19/2006	5-Star	---	---
17.	Meezan Islamic Fund (MIF)	FR	04/13/2006	5-Star	---	---
18.	UTP-Islamic Fund (UTP-ISF)	FR	03/14/2006	3-Star	---	---
Absolute Return Funds						
19.	Pakistan Capital Market Fund (PCM)	FR	03/22/2006	5-Star	---	---

¹ Asset Manager Rating

² Fund Rating



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	Name of the Organisation	Type of Rating	Date of Notification MM/DD/YYYY	Rating Assigned	
				FS/ FR/ AMR/DG	Long-Term Short-Term
DFIs / INVESTMENT COS. / BROKERAGE HOUSES					
1.	First Capital Equities Limited (FCEL)	Entity	09/04/2006	A	A1
2.	House Building Finance Corporation	Entity	06/30/2006	A	A1
3.	Investment Corporation of Pakistan (ICP)	Entity	10/06/2005	AA	A1+
4.	Jahangir Siddiqui & Company Limited	Entity	02/20/2006	AA+	A1+
5.	Jahangir Siddiqui Capital Markets Limited	Entity	06/30/2006	AA-	A1+
6.	KASB Securities Limited	Entity	09/08/2006	A+	A1
7.	Pakistan Industrial Credit & Investment Corporation Limited (PICIC)	Entity	06/27/2006	AA	A1+
8.	Pak Kuwait Investment Company (Pvt) Limited	Entity	06/12/2006	AAA	A1+
9.	Pak Libya Holding Company (Pvt) Limited	Entity	06/22/2006	AA-	A1+
MODARABAS					
1.	First Fidelity Leasing Modaraba™	Entity	04/17/2006	A-	A2
2.	First Habib Modaraba	Entity	02/03/2006	AA	A1+
3.	First Punjab Modaraba	Entity	04/03/2006	A	A1
4.	Modaraba Al-Mali	Entity	06/13/2006	A-	A2
5.	Standard Chartered Modaraba	Entity	02/16/2006	AA+	A1+
LEASING COMPANIES					
1.	Askari Leasing Limited	Entity	12/30/2005	A+	A1
2.	Network Leasing Corporation Limited	Entity	10/18/2006	---	D
3.	ORIX Leasing Pakistan Limited	Entity	01/24/2006	AA+	A1+
4.	Union Leasing Limited	Entity	02/27/2006	A+	A1
BANKING COMMERCIAL					
1.	AlBaraka Islamic Bank (Pakistan Branches)	Entity	06/30/2006	A-	A1
2.	Askari Commercial Bank Limited	Entity	06/19/2006	AA+	A1+
3.	Atlas Bank Limited	Entity	09/14/2006	A-	A2
4.	Bank Al Habib Limited	Entity	06/13/2006	AA	A1+
5.	Bank Alfalah Limited	Entity	06/12/2006	AA	A1+
6.	The Bank of Punjab	Entity	06/20/2006	AA	A1+
7.	Faysal Bank Limited	Entity	06/26/2006	AA	A1+
8.	First Women Bank Limited	Entity	06/29/2005	AA	A1+
9.	Habib Metropolitan Bank Limited	Entity	06/27/2006	AA+	A1+
10.	KASB Bank Limited	Entity	06/29/2006	BBB+	A2
11.	MCB Bank Limited (Formerly Muslim Commercial Bank Limited)	Entity	05/02/2006	AA+	A1+
12.	Mybank Limited	Entity	06/27/2006	A-	A2
13.	NIB Bank Limited	Entity	06/30/2006	A+	A1
14.	Prime Commercial Bank Limited™	Entity	06/28/2006	A+	A1
15.	Soneri Bank Limited	Entity	06/26/2006	AA-	A1+
16.	Union Bank Limited	Entity	09/11/2006	AA+	A1+

™ Rating Watch



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	Name of the Organisation	Type of Rating	Date of Notification MM/DD/YYYY	Rating Assigned	
				FS/ FR/ AMR/DG	Long-Term Short-Term
BANKING INVESTMENT					
1.	First Dawood Investment Bank Limited	Entity	12/30/2005	A+	A1
2.	First International Investment Bank Limited	Entity	12/30/2005	A	A1
3.	Jahangir Siddiqui Investment Bank Limited ^{FW}	Entity	02/10/2006	A+	A1
4.	ORIX Investment Bank Pakistan Limited	Entity	12/30/2005	A+	A1
5.	Trust Leasing & Investment Bank Limited	Entity	12/30/2005	AA-	A1+
INSURANCE COMPANIES					
1.	Atlas Insurance Limited (Formerly Muslim Insurance Co. Ltd.)	IFS ³	10/27/2005	A+	---
2.	East West Insurance Company Limited	IFS	06/13/2006	A-	---
3.	Habib Insurance Company Limited	IFS	10/06/2005	A+	---
4.	Int'l General Insurance Co. of Pakistan Ltd. (IGI)	IFS	10/13/2005	AA	---
5.	New Jubilee Insurance Company Limited (NJI)	IFS	10/27/2005	AA	---
6.	Reliance Insurance Company Limited	IFS	05/03/2006	A-	---
7.	Shaheen Insurance Company Limited	IFS	08/30/2006	A-	---
8.	United Insurance Company of Pakistan Limited	IFS	05/15/2006	A-	---
REAL ESTATE DEVELOPERS & PROJECTS					
1.	Eden Developers (Pvt) Limited	DG ⁴	09/07/2005	PE2	---
INDUSTRIAL CORPORATES					
TEXTILE					
1.	Azgard Nine Limited (Formerly Legler Nafees Denim Mills Limited)	Entity	05/30/2006	A	A1
2.	Nishat Mills Limited	Entity	01/06/2006	A+	A1
SUGAR & ALLIED					
1.	Al-Abbas Sugar Mills Limited	Entity	02/17/2005	A	A1
FUEL & ENERGY					
1.	Attock Refinery Limited (ARL)	Entity	06/21/2006	AA-	A1+
2.	National Refinery Limited (NRL)	Entity	06/22/2006	AAA	A1+
3.	Pak-Arab Refinery Limited (PARCO)	Entity	05/16/2006	AAA	A1+
4.	Pakistan State Oil Company Limited (PSO)	Entity	01/24/2006	AAA	A1+
5.	Sui Northern Gas Pipelines Limited (SNGPL)	Entity	04/20/2006	AA-	A1+
CEMENT					
1.	Dewan Cement Limited	Entity	06/30/2006	A	A1
2.	Kohat Cement Company Limited	Entity	06/19/2006	A	A1
ENGINEERING					
1.	Pak Elektron Limited (PEL)	Entity	06/09/2006	A	A1
TRANSPORT & COMMUNICATION					
1.	Pakistan Mobile Communications Limited (Mobilink)	Entity	10/07/2005	AA-	A1
2.	WorldCall Telecom Limited (WTL)	Entity	06/21/2006	A+	A1

³ Insurer Financial Strength Rating

⁴ Developer Grading



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Name of the Organisation	Type of Rating	Date of Notification MM/DD/YYYY	Rating Assigned		
			FS/ FR/ AMR/DG	Long-Term Short-Term	
CHEMICAL & PHARMACEUTICALS					
1. Engro Chemical Pakistan Limited	Entity	05/15/2006	AA	A1+	
PAPER & BOARD					
1. Packages Limited	Entity	06/12/2006	AA	A1+	
MISCELLANEOUS					
1. Trakker (Pvt) Limited	Entity	08/07/2006	A-	A2	
2. Tri-Pack Films Limited	Entity	04/28/2006	A+	A1	



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Term Finance Certificates (TFCs) Ratings:

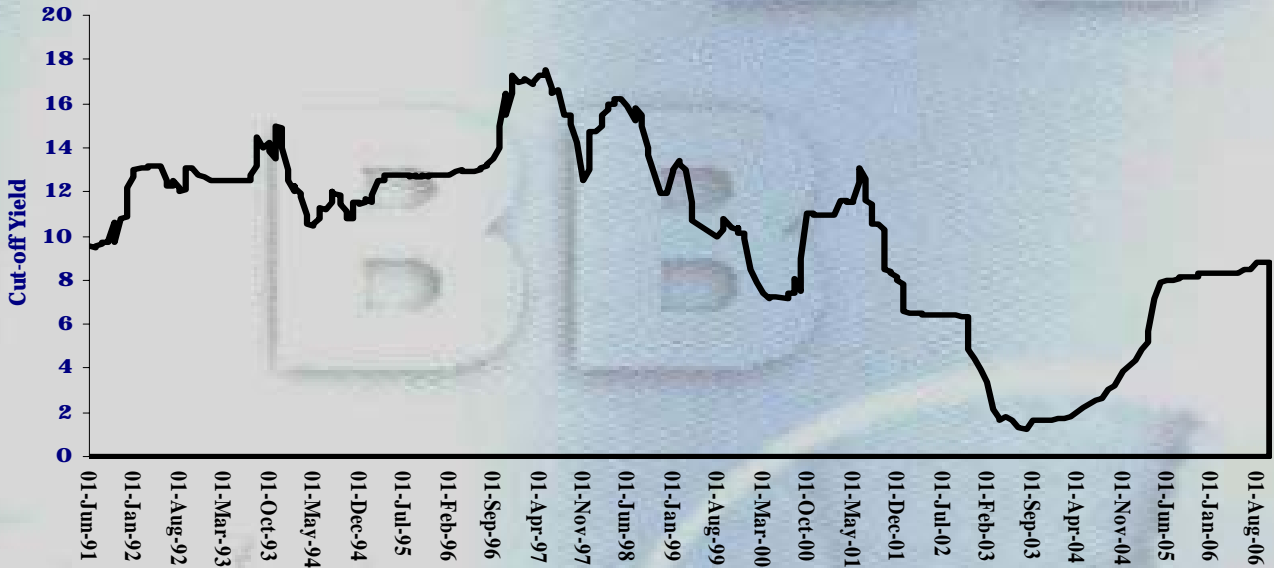
Sr. No.	Name of the Organisation	Amount PKR (mln)	Date of Notification (MM/DD/YYYY)	Date of Issue (MM/DD/YYYY)	Rating Assigned
1.	Askari Commercial Bank Limited – TFCs-I	1,500.00	06/19/2006	02/04/2005	AA
2.	Askari Commercial Bank Limited – TFCs-II	1,500.00	06/19/2006	10/31/2005	AA
3.	Azgard Nine Limited	2,144.00	02/24/2005	09/19/2005	A+
4.	Azgard Nine Limited – (ST-TFCs)	2,500.00	07/07/2006	<i>Privately Placed</i>	A+
5.	Bank Al Habib Limited – TFCs-I	1,350.00	06/13/2006	07/16/2004	AA-
6.	Bank Al Habib Limited – TFCs-II	1,500.00	09/15/2006	<i>To be issued</i>	AA-
7.	Bank Alfalah Limited – I	650.00	06/12/2006	12/21/2002	AA-
8.	Bank Alfalah Limited – II	1,250.00	06/12/2006	11/24/2004	AA-
9.	Bank Alfalah Limited – III	1,325.00	06/12/2006	11/25/2005	AA-
10.	Chanda Oil & Gas Securitization Company Limited – Securitised	1,000.00	06/27/2006	02/16/2005	A
11.	First Dawood Investment Bank Limited (1 st Tranche)	253.05	12/30/2005	09/21/2001	AA-
12.	First Dawood Investment Bank Limited (2 nd Tranche)	345.00	12/30/2005	07/27/2002	AA-
13.	First International Investment Bank Limited (Interbank)	500.00	04/14/2006	<i>To be issued</i>	A+
14.	Jahangir Siddiqui & Company Limited – TFCs-I	500.00	02/20/2006	04/18/2003	AA+
15.	Jahangir Siddiqui & Company Limited – TFCs-II	500.00	02/20/2006	12/23/2004	AA+
16.	Jahangir Siddiqui & Company Limited – TFCs-III	500.00	02/20/2006	09/30/2005	AA+
17.	Jahangir Siddiqui & Company Limited – TFCs-IV	1,000.00	05/15/2006	<i>To be issued</i>	AA+
18.	MCB Bank Limited (<i>Formerly Muslim Commercial Bank Limited</i>)	1,600.00	05/02/2006	08/10/2002	AA
19.	Pakistan Mobile Communications Limited (Mobilink)	3,261.64	11/02/2006	05/31/2006	AA-
20.	Prime Commercial Bank Limited	800.00	06/28/2006	02/12/2005	A
21.	Soneri Bank Limited	1,200.00	06/26/2006	05/05/2005	A+
22.	Sui Southern Gas Company Limited (2 nd Tranche)	1,250.00	02/07/2006	06/11/2002	AA
23.	Trust Leasing & Investment Bank Limited (1 st Tranche)	250.00	12/30/2005	06/03/2003	AA
24.	Trust Leasing & Investment Bank Limited (2 nd Tranche)	375.00	12/30/2005	07/18/2004	AA
25.	Trust Leasing & Investment Bank Limited (3 rd Tranche)	375.00	12/30/2005	11/15/2005	AA
26.	Union Bank Limited – TFCs-I	750.00	09/11/2006	12/21/2002	AA
27.	Union Bank Limited – TFCs-II	750.00	09/11/2006	01/20/2004	AA
28.	Union Bank Limited – TFCs-III	1,000.00	09/11/2006	02/02/2006	AA
29.	WorldCall Telecom Limited – TFCs-I	350.00	06/21/2006	10/01/2002	AA-
30.	WorldCall Telecom Limited – TFCs-II	350.00	06/21/2006	<i>To be issued</i>	AA-



INTEREST RATE TRENDS

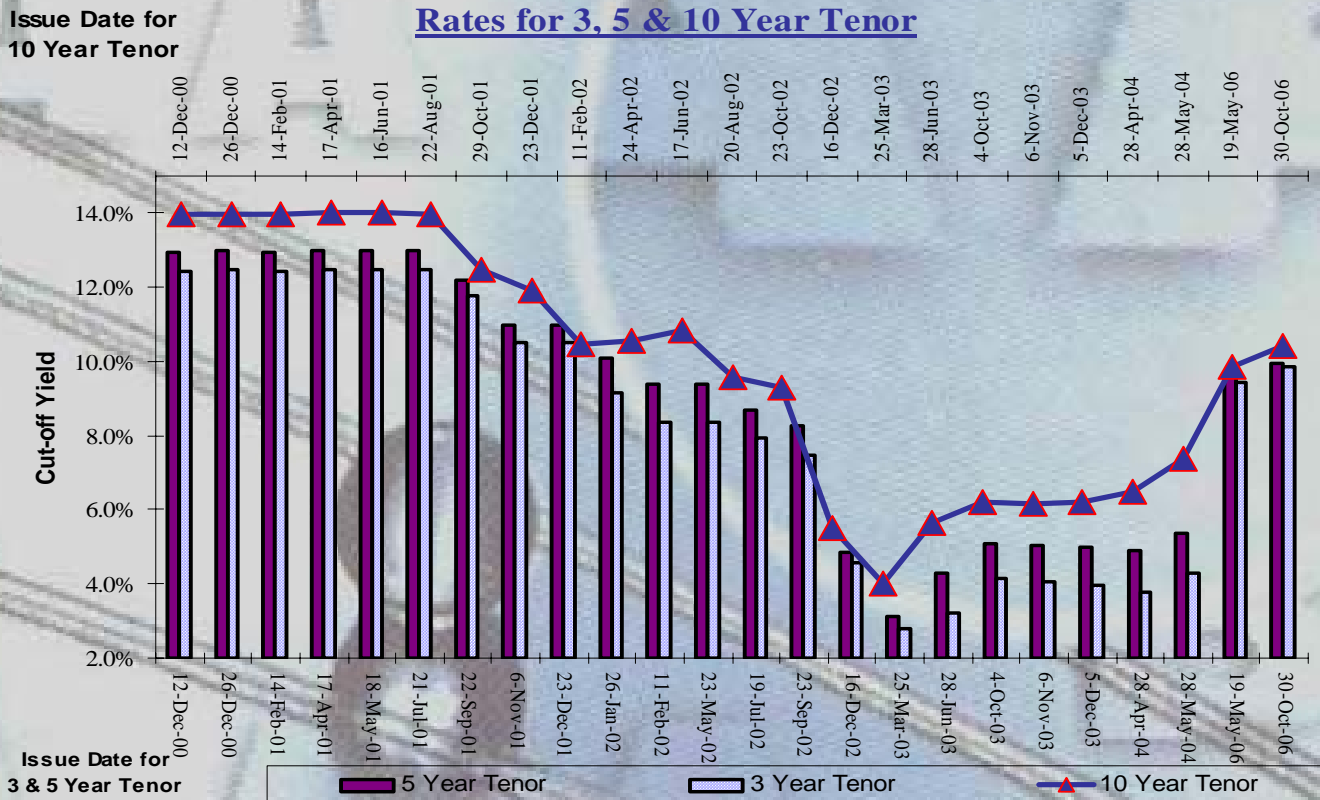
Short Term: (Treasury Bills)

6-Month Treasury Bills Cut-Off Yield



Long Term: (PIBs)

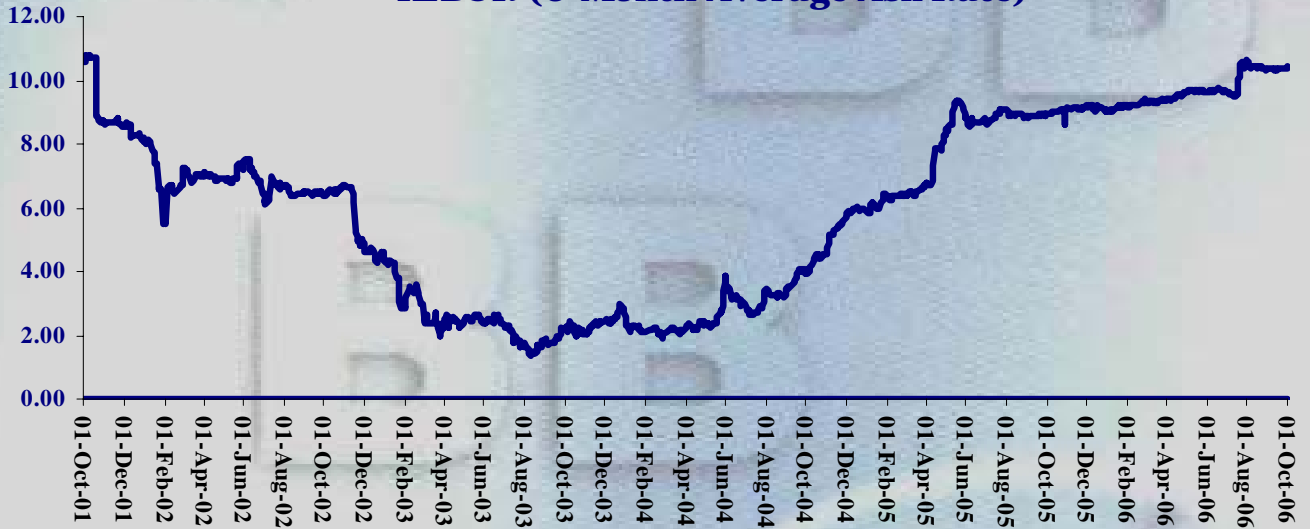
Rates for 3, 5 & 10 Year Tenor





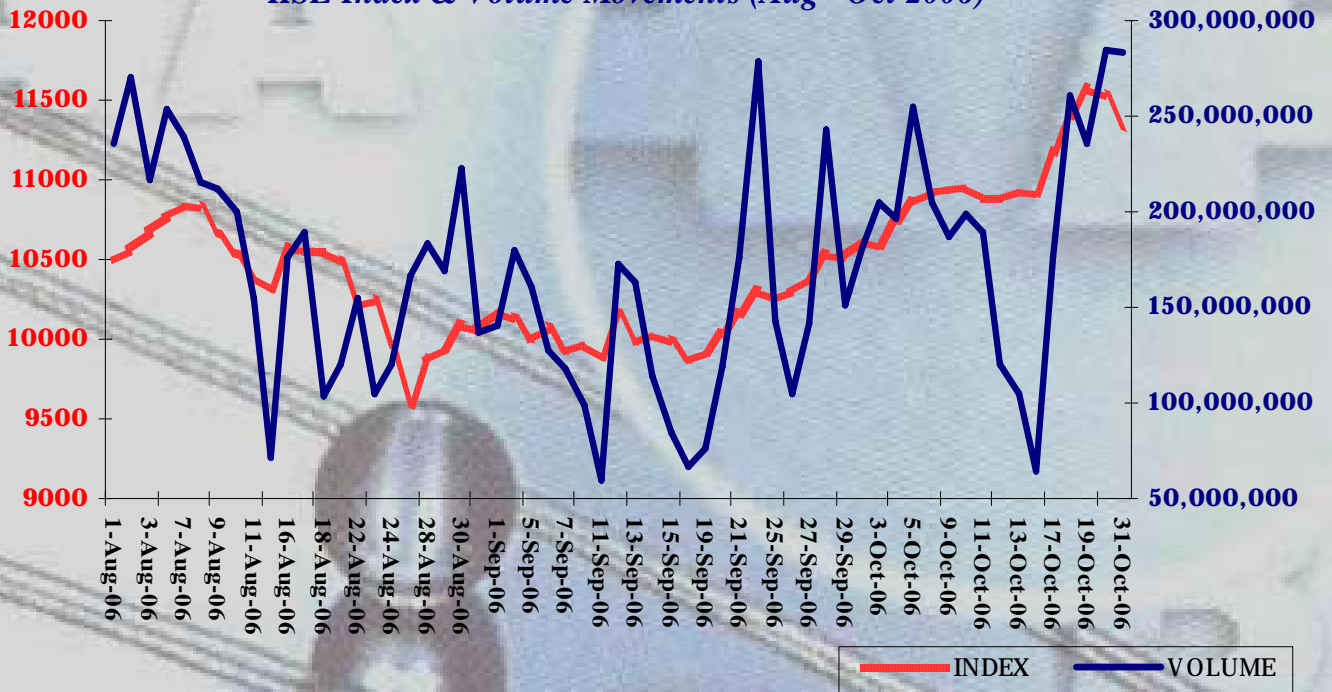
KIBOR:

KIBOR (6-Month Average Ask Rate)



KSE-100 Index:

KSE Index & Volume Movements (Aug - Oct 2006)





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