



## Rating Action

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## PACRA DOWNGRADES RATING OF PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORPORATION LIMITED

The Pakistan Credit Rating Agency (PACRA) has downgraded the long-term entity rating of Pakistan Industrial Credit & Investment Corporation Limited (PICIC) to “AA-” (Double A Minus), while the short-term rating has been maintained at “A1+” (A One Plus). The ratings denote a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments. These ratings remain on RatingWatch pending completion of the merger of PICIC with NIB Bank Limited and PICIC Commercial Bank Limited.

The ratings reflect the stressed performance trends and major deterioration in asset quality of the Corporation. The profitability, besides being exposed to volatility risk due to high exposure in the stock market, is increasingly coming under pressure due to squeezing spreads and high provisioning expense against rising NPLs. Meanwhile, the Corporation continues to maintain a strong capital structure, and derives strength from its established subsidiaries in the financial sector. Recently NIB Bank Limited, sponsored by an international group of high standing – Temasek –, has signed agreements with various groups of shareholders for acquiring majority stake in the Corporation, with the ultimate objective of merging NIB Bank, PICIC and PICIC Commercial Bank Limited.

**About the Corporation:** Pakistan Industrial Credit & Investment Corporation Limited (PICIC) was established in 1957. Being the largest DFI in the country in terms of total assets and a branch network of 45 as at end-1Q07, the Corporation’s primary activities encompass term financing for industrial and commercial activities, merchant banking operations, capital market operations, leasing, and consumer financing. The Corporation owns 60% stake in PICIC Commercial Bank Limited, having an asset base of over PKR 70bln and a network of 122 branches at end-Mar07. PICIC Asset Management Company, the wholly owned subsidiary of PICIC, is a strong player in asset management sector with assets under management aggregating to over PKR 18bln. Meanwhile, PICIC Insurance Company Limited, an associated concern, though still in its gestation phase, is showing appreciable growth.

The chief executive of PICIC, who has been in this position since 1996, is an experienced banker and has been principally instrumental in the turnaround of the organization in the last few years.

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