

VIS

Credit Rating Company Limited

UNSOLICITED RATINGS

SCOPE OF CRITERIA

Credit ratings are rapidly gaining acceptance in the local market as an important benchmark of credit-worthiness. The financial sector in particular has responded by selectively incorporating credit ratings as a part of their investment process. Over the last few years, rating coverage has extended across various sectors of the economy, and several prominent business groups have been rated. The regulatory framework has further enhanced the role of ratings by mandating ratings in key areas and by incorporating ratings into various regulatory guidelines issued from time to time.

We believe that through its credit ratings, JCR-VIS Credit Rating Company Limited has provided useful benchmarks to market participants. As the market increases its dependence on ratings, it has become increasingly important to extend the coverage of ratings to those institutions where there is potential demand but where ratings have not been solicited by the institution's management. We believe that the introduction of unsolicited or 'p' ratings will contribute meaningfully towards informed decision-making for all potential and existing investors. This document aims at elaborating JCR-VIS' criteria for unsolicited ratings and explaining the role of such ratings as an effort towards fostering transparency and adding value to the financial system.

An unsolicited rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. An unsolicited 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.

Similar to solicited credit ratings, 'p' ratings also indicate the likelihood of timely servicing of financial obligations. However, since 'p' ratings are based primarily on publicly available information, they are intended to be broader indicators of credit quality.

In comparison with solicited ratings, consequently, despite a largely similar analytical approach, unsolicited ratings do not seek confidential information. However, JCR-VIS may hold meetings with the management to discuss pertinent issues, as deciphered from the company's annual accounts and other published material. It is to be noted that the limited purview of 'p' ratings does not exclude the analysis of any of the risk factors considered in a solicited rating. Both operational risks as well as external factors are given due consideration. The sole distinction between the two approaches is the breadth of informational sources utilized.

The analysis for 'p' ratings will include a qualitative as well as a quantitative review. Qualitative analysis entails an appreciation of an institution's market power, entity size, and product recognition. The management's approach towards future growth and the feasibility of its business plan are taken into account. The anticipated performance of the sector in which an entity operates, regulations governing the sector, and economic trends that affect the financial viability of an institution are considered while arriving at a rating. Additionally, qualitative factors include the impact of government ownership or group support, which is usually among the more significant variables driving the ratings.

Since comprehensive analysis is as relevant to unsolicited ratings as it is to conventional ratings, JCR-VIS will not assign a 'p' rating where public disclosures are not reasonably comprehensive or where we cannot access enough information to reach a useful conclusion. JCR-VIS will offer to carry out unsolicited ratings if it believes that a rating assigned to a particular organization will add significantly to available market information. As the purpose of assigning 'p' ratings is improving access to information, public disclosure of the same is considered necessary. Before the public announcement of the ratings, the concerned entity's management is informed of the rating assessed. Our unsolicited ratings show our

strong commitment to continue to play a pivotal role in providing unbiased third-party opinion for the benefit of all market players.

JCR-VIS charges no fee for assigning a 'p' rating. Once the 'p' rating process has been initiated, no fee will be charged until the conclusion of the process and the announcement of the rating. Subsequent to the public announcement, 'p' ratings may be converted to conventional credit ratings if so desired by the rated entity. Contractual arrangements and informational requirements would then be similar to those applicable to solicited credit ratings.

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Faheem Ahmad

President & CEO, VIS Credit Rating Company Limited
 Founder, VIS Group Chairman,
 Vice-Chairman, Association of Credit Rating Agencies in Asia

Mr. Ahmad possesses 30+ years experience in financial risk assessment with focus on Islamic finance, venture capital and general management. He has top level management experience at international level in the fields of credit ratings, Islamic and conventional financial risk assessment modeling, industrial management and construction engineering. Mr. Ahmad is an active participant at international forums on Credit Ratings. He obtained his B.S in Civil Engineering from NED University of Engineering and Technology, Karachi. He also has Masters Degrees in Engineering and Business Administration from USA.



Jamal Abbas Zaidi

Executive Vice President

Jamal Abbas Zaidi has more than three decades of rich experience in finance and general management, at local and international levels. Prior to joining JCR-VIS, he was CEO of a leasing modaraba and SEVP of the then-largest leasing company having IFC and ADB equity. Internationally, he worked for the World Bank at a multi-million-dollar project in Nigeria. Mr. Zaidi has held key positions in the industrial and financial sectors and has contributed many papers in international and local conferences and workshops. He is a member of the rating committee of JCR-VIS. He is also Vice Chairman of Islamic International Rating Agency, Bahrain. He is a fellow member of the Institute of Cost and Management Accountants of Pakistan.



Sabeen Saleem

Senior Financial Analyst

Ms. Sabeen Saleem currently leads commercial bank ratings at JCR-VIS Credit Rating Company Limited. She is also actively involved in ratings of the Leasing and the DFI sector. Prior to joining JCR-VIS, she worked on several projects with local financial consultants. She holds a Masters degree in Business Administration, graduating from the Institute of Business Administration, Karachi in 1997.



Jahangir Kothari Parade (Lady Lloyd Pier) Inspired by Her Excellency, The Honorable Lady Lloyd, this promenade pier and pavilion was constructed at a cost of 3 Lakhs and donated to the public of Karachi by Jahangir Kothari to whose generosity and public spirit the gift is due. Foundation stone laid on January 5, 1920. Opened by Her Excellency, The Honorable Lady Lloyd on March 21, 1921.

Dome: A roof or vault, usually hemispherical in form. Until the 19th century, domes were constructed of masonry, of wood, or of combinations of the two, frequently reinforced with iron chains around the base to counteract the outward thrust of the structure.

Origins: The dome seems to have developed as roofing for circular mud-brick huts in ancient Mesopotamia about 6000 years ago. In the 14th century B.C. the Mycenaean Greeks built tombs roofed with steep corbeled domes in the shape of pointed beehives (tholos tombs). Otherwise, the dome was not important in ancient Greek architecture. The Romans developed the masonry dome in its purest form, culminating in a temple built by the emperor Hadrian. Set on a massive circular drum the coffered dome forms a perfect hemisphere on the interior, with a large oculus (eye) in its center to admit light.

VIS Credit Rating Company Limited is committed to the protection of investors and offers a blend of local expertise and international experience to serve the domestic financial markets. With its international reach, VIS is positioned to aim for an international mark. In this regard, the global experience of our international affiliates and partners have been invaluable towards adding depth to our ongoing research endeavors, enriching us in ways, that enable us to deliver our responsibilities to the satisfaction of all investors. The edifice of the Jahangir Kothari Parade has stood proudly through the years and is a symbol of our heritage. Its 'Dome' as the most stable of building structures, exemplifies architectural perfection. Committed to excellence, VIS continues its endeavour to remain an emblem of trust.

INTERNATIONAL

Affiliates

Islamic International Rating Agency – **Bahrain** – iira.com
 Credit Rating Information & Services Ltd. – **Bangladesh** – crislbdc.com

Collaborations

Japan Credit Rating Agency, Ltd. - **Japan**
 China Chengxin International Credit Rating Company Limited - **China**

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