RATING REPORT

Pak Oman Investment Company Limited (POIC)

REPORT DATE:
June 30, 2025

RATING ANALYST:
Musaddeq Ahmed Khan
musaddeq@vis.com.pk

RATING DETAILS

Rating Category	Latest Rating Long-term	Latest Rating Short-term	Previous Rating Long-term	Previous Rating Short-term
Entity	AA+	A1+	AA+	A1+
Outlook/ Rating Watch	Stable		Stable	
Rating Date	*June 30th,'25*		*June 28nd,'24*	
Rating Action	*Reaffirmed*		*Reaffirmed*	

COMPANY INFORMATION

Incorporated in 2001	**External auditors:** BDO Ebrahim & Co., Chartered Accountants
Unlisted Public Company	**Chairman of the Board**: H.H. Sayyid Juland Jaifar Salim Al Said
Key Shareholders (with stake 5% or more):	**Chief Executive Officer**: Mr. Nauman Ansari
Ministry of Finance, Pakistan – 49.99%	
Oman Investment Authority, Oman – 49.99%	

APPLICABLE METHODOLOGY(IES)

Government Supported Entities
https://docs.vis.com.pk/docs/Meth-GSEs202007.pdf

Financial Institutions Rating
https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf

Rating Scales & Definitions
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Pak Oman Investment Company Limited

OVERVIEW OF THE INSTITUTION

POIC was initially established as a privately held company in July 2001 before being converted into a public limited company in March 2004. It operates as a JV between the Government of Pakistan (GoP) and the Sultanate of Oman (SO).

Chairman's Profile:

His Highness Sayyid Juland Jaifar Al Said brings over 17 years of experience from his tenure at the Oman Investment Authority (OIA). Presently, he leads the Investment Risk & Assurance function at OIA. His Highness has been serving on the board of POIC and its subsidiary since 2017. In 2021, he assumed the role of Chairman of POIC's BoD

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Profile of MD / CEO

Mr Nauman Ansari, the CEO/MD of POIC, is a senior Finance and Banking professional with 31 years of multi-functional and varied experience of global, regional and local banking institutions including Standard Chartered Bank, Bank of America, ABN Amro and Fortis Bank. His last two assignments were as President and CEO of Bank Alfalah Limited and Faysal Bank Limited. Mr. Ansari is a graduate of Miami University, USA.

Mr. Ansari has served on numerous Boards of Directors.

RATING RATIONALE

The ratings reflect POIC sound ownership structure, maintained through equal participation in a joint venture between the Government of Pakistan, represented by the Ministry of Finance (MoF), and the Sultanate of Oman, represented by the Oman Investment Authority (OIA). Dual sovereign ownership underpins the DFI's strong capital access if needed as well as its financial resilience. The Government of Oman is rated BB+ by two international rating agencies. Governance practices remain aligned with regulatory expectations, supported by a competent board and experienced senior management. The implementation of strategic technology upgrades and ESG initiatives further reflects management's focus on modernization and sustainability.

POIC continues to play a pivotal role in strengthening economic ties between Pakistan and Oman. It has actively supported recent high-level government and business engagements, such as official visits, trade expos, and investment forums. By facilitating cross-border investments and offering advisory services to prominent organizations in both countries, POIC is fostering deeper commercial cooperation. Its initiatives align with broader strategic frameworks, including Oman Vision 2040, reinforcing POIC's position as a key facilitator of bilateral investment and collaboration.

On a standalone basis, the DFI's investment portfolio continues to be largely composed of high-quality sovereign instruments, ensuring strong credit quality and liquidity. Net advances declined due to a cautious stance amid a high-interest rate environment that was not conducive to lending. Furthermore, while NPL's rose, the reduction in gross advances portfolio was relatively larger, thereby elevating infection. Provisioning coverage remains adequate, as management has prudently accounted for a few accounts on a subjective basis, with no significant provisioning impact expected going forward.

Profitability came under pressure in 2024 as the DFI faced a challenging environment, where investment yields declined more rapidly than borrowing costs, compressing net interest margins, however reversal of credit loss provisions and strong non-interest income from capital gains offset that pressure. Furthermore, in the later part of the year DFI has managed to get low-cost funding from different avenues which had a significant positive impact on Q1 2025 profitability and is expected to continue till 3QCY25.

Liquidity indicators showed some variability, with a reduction in the coverage ratio and continued use of short-term funding. Institution's capitalization profile continues to remain strong, with an improvement in the capital adequacy ratio that remains comfortably above regulatory requirements, reflecting prudent balance sheet management and underlying financial resilience.

Going forward, sustained improvements in profitability, asset quality, and leverage will remain important for ratings.

<u>DFI Sector</u>

Development Finance Institutions (DFIs) in Pakistan play a critical role in supporting long-term investments in key sectors such as housing, SMEs, infrastructure, and agriculture. However, their performance has remained under pressure due to structural limitations, risk-averse operating models despite having been set up with core development mandates, and the crowding out effects of fiscal requirements affecting the entire financial sector. During the last quarter of 2024, a new DFI was added to the sector, EXIM Bank. By Dec'24, the industry witnessed a 15.3% (Dec'23: 63.3%↑) contraction in its asset base, primarily manifested in 18.6% (Dec'23: 73.3%↑) drop in investments—mainly in government securities, which still made up 83.2% (Dec'23: 86.6%) of total assets.

Although advances grew modestly by 1.5% (Dec'23: 0.1%), they remained a small part of the overall asset book, at only 9.7% (Dec'23: 8.0%) of assets. Public sector lending, especially housing finance by a single DFI, supported this limited growth, while private sector advances declined by 0.7%. Investment composition shifted towards longer-tenor Pakistan Investment Bonds (PIBs), as institutions sought to mitigate the impact of declining yields. Simultaneously, short-term Market Treasury Bills (MTBs) dropped by 79.4%.

Earnings remained healthy despite a shrinking asset base. Net interest income remained relatively stable at PKR 25 billion, while non-interest income rose sharply, driven by a 79.8% increase in dividend earnings—largely attributed to one DFI's stake in a major Islamic bank. This contributed to a 34.7% rise in after-tax profits, pushing ROA to 1.2% and ROE to 17.1%. However, net interest margins were squeezed due to relatively sticky funding costs amid falling returns on earning assets. Asset quality showed some deterioration, with the NPL ratio rising to 8.0% (Dec'23: 7.4%) and provisioning coverage falling to 78.6% (Dec'23: 114.8%).

The sector remains well capitalized, with a capital adequacy ratio (CAR) of 52.5% (Dec'23: 43.3%), well above the 11.5% minimum requirement. DFIs in Pakistan continue to face structural challenges, including limited access to deep capital markets for long-term funding, a low national savings rate, and the absence of concessional funding mechanisms that are available to their counterparts in other jurisdictions. In the medium term, declining yields on government securities may exert pressure on future earnings. In response, DFIs are investing in areas such as digital banking, venture capital, and Islamic finance to align more closely with evolving market needs. Despite ongoing macroeconomic uncertainty, there are emerging investment opportunities in green finance, infrastructure development, and public-private partnership (PPP) models. Realizing this potential will require a supportive regulatory environment and a strategic repositioning of DFIs to more effectively fulfill their original mandate of promoting long-term, inclusive development.

Pak Oman Investment Company Limited (POIC) Appendix I

FINANCIAL SUMMARY				*(in PKR million)*
BALANCE SHEET	**Dec-22**	**Dec-23**	**Dec-24**	**Mar-25**
Total Investments	125,710.85	335,736.12	353,409.57	307,594.58
Net Advances	19,421.00	16,179.97	15,014.83	14,624.30
Total Assets	157,700.38	367,003.02	387,116.51	344,170.86
Borrowings	132,900.98	340,891.24	349,587.97	309,253.33
Deposits & other accounts	13,520.90	12,218.42	16,164.28	12,420.14
Total Liabilities	149,000.70	358,263.55	377,044.00	333,498.53
Paid-Up Capital	6,150.00	6,150.00	6,150.00	6,150.00
Tier-1 Equity	7,164.15	6,366.22	8,025.37	8,509.23
Net Worth (Exc. Surplus on Reval.)	8,718.60	8,332.03	8,548.74	8,991.03
INCOME STATEMENT	**2022**	**2023**	**2024**	**1QCY25**
Net Mark-up Income	834.48	2,820.53	853.21	2,582.24
Net Provisioning / (Reversal)	171.69	1,048.17	(162.92)	121.45
Non-Markup Income	476.62	326.04	1,079.74	-914.06
Operating Expenses	608.78	915.52	1,087.78	321.15
Profit Before Tax	500.52	940.51	871.29	1,187.57
Profit After Tax	333.82	705.11	557.21	715.63
RATIO ANALYSIS	**2022**	**2023**	**2024**	**1QCY25**
Gross Infection (%)	10.97%	13.20%	16.37%	17.01%
Net Infection (%)	7.56%	1.10%	2.05%	2.34%
Specific Provisioning Coverage (%)	33.67%	92.72%	89.31%	88.32%
General Provisioning Coverage (%)	0.00%	4.12%	1.06%	1.47%
Net NPLs to Tier-1 Capital (%) (adj. for general prov.)	20.60%	2.62%	3.80%	3.98%
Cost of funds* (%)	11.37%	25.89%	19.88%	11.36%
Markup Spreads* (%)	0.24%	0.94%	0.09%	2.8%
Efficiency* (%)	59.28%	30.10%	98.35%	11.95%
ROAA* (%)	0.23%	0.27%	0.15%	0.78%
ROAE* (%) (Exc. Surplus on Reval.)	3.82%	8.27%	6.60%	32.64%
Liquid Coverage Ratio (%)	79.87%	75.28%	101.04%	63.32%
Net Stable Funding Ratio (%)	104.31%	103.02%	367.71%	361.02%
Liquid Assets to Deposits & Borrowings** (%)	62.06%	43.99%	14.86%	18.03%
Gross Advances to Deposits Ratio*** (%)	149.96%	157.29%	109.93%	140.58%
Capital Adequacy Ratio (%)	21.92%	15.49%	33.50%	37.15%

**Annualized*
***Adjusted for repo and collateral*
****Adjusted for SBP refinancing scheme*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Pak Oman Investment Company Limited
Sector	Development Finance Institution (DFI)
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	

Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action
RATING TYPE: ENTITY				
30-June-25	AA+	A1+	Stable	Reaffirmed
28-Jun-24	AA+	A1+	Stable	Reaffirmed
22-Jun-23	AA+	A1+	Stable	Reaffirmed
22-Jun-23	AA+	A1+	Stable	Reaffirmed
28-Jun-22	AA+	A1+	Stable	Reaffirmed
30-Jun-21	AA+	A1+	Stable	Reaffirmed
30-Jun-20	AA+	A1+	Stable	Reaffirmed
24-Jun-19	AA+	A-1+	Stable	Reaffirmed
27-Jun-18	AA+	A1+	Stable	Reaffirmed
2-Jun-17	AA+	A1+	Stable	Reaffirmed
29-Jun-16	AA+	A1+	Stable	Reaffirmed
30-Jun-15	AA+	A1+	Stable	Reaffirmed
30-Jun-14	AA+	A1+	Stable	Reaffirmed
12-Jun-13	AA+	A1+	Stable	Reaffirmed
29-Jun-12	AA+	A1+	Stable	Reaffirmed

Instrument Structure	N/A
Statement by the Rating Team	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.
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Due Diligence Meeting(s) Conducted	

Name	Designation	Date
Mr. Muhammad Yousuf Amanuallah	Chief Financial Officer	17-June-2025
Mr. Syed Salman Raza Naqvi	Chief Risk Officer	
Ms. Nadia Ishtiaq	Head of Investment Banking & Private Equity	
Mr. Syed Abdullah Jamal Ahmed Naqvi	Head of Internal Audit	
Mr. Aijaz Ahmed Siddique	Head of IT	
Mr. Syed Jarrar Haider Zaidi	Acting Head - Treasury	