# RATING REPORT

# Pak Brunei Investment Company Limited

**REPORT DATE:**
June 27, 2025

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

| RATING DETAILS | | | | |
|---|---|---|---|---|
| **Rating Category** | **Latest Rating** | | **Previous Rating** | |
| | **Long-term** | **Short-term** | **Long-term** | **Short-term** |
| **Entity Rating** | AA+ | A1+ | AA+ | A1+ |
| **Outlook/Rating Watch** | Stable | | Stable | |
| **Rating Action** | *Reaffirmed* | | *Reaffirmed* | |
| ***Date*** | *June 27, 2025* | | *June 28, 2024* | |

| COMPANY INFORMATION | |
|---|---|
| **Established in 2006** | **External auditors:** Yousuf Adil Chartered Accountants |
| **Unlisted Public Company** | **Chairperson of the Board:** Ms. Dk Noorul Hayati Binti Pg Julaihi |
| **Key Shareholders (with stake more than 5%):** | **CEO & Managing Director:** Mr. S.M. Aamir Shamim |
| *Brunei Investment Agency – 50.00%* | |
| *Ministry of Finance - Govt. of Pakistan – 49.99%* | |

| APPLICABLE METHODOLOGY |
|---|
| **Government Supported Entities**<br>https://docs.vis.com.pk/docs/Meth-GSEs202007.pdf |
| **Financial Institution**<br>https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf |
| **VIS Rating Scale**<br>https://docs.vis.com.pk/docs/VISRatingScales.pdf |

# Pak Brunei Investment Company Limited

## OVERVIEW OF THE INSTITUTION

*PBICL was incorporated as a Development Finance Institution (DFI) in 2006 and operates as a joint venture of Government of Pakistan and Brunei Investment Agency (BIA).*

**Profile of Chairperson**

*Ms. Noorul is a Portfolio Manager in the Absolute Return Strategy in BIA, the Sovereign Wealth Fund of the GoB. Ms. Noorul has been associated with BIA for 18 years. Her previous roles included Assistant Portfolio Manager and Analyst for Macro and Fixed Income Group. She has also managed the European Fixed Income Portfolio. Before moving onto current role, she was co-leading the private equity team. In her current role she is leading a team of professionals focused on hedge fund investments across the globe. She has also previously served as Director in Audley Insurance Company, wholly owned by BIA. She holds a degree with a major in Economics from Universiti Brunei Darussalam.*

**Profile of CEO and Managing Director**

*Mr. S. M. Aamir Shamim was appointed as the Managing Director & CEO of Pak Brunei in May 2023. Having 33 years of experience in financial sector, Mr. Aamir has served as Group Head of Treasury and Financial Institutions at BankIslami Pakistan Limited (BIPL). Prior to BIPL, he was working as Head of Treasury & Islamic Banking Specialist with Islamic Bank of Thailand based in Bangkok. He has worked in Yemen & Bahrain in Islamic banking institutions and was the founder team member of SME Bank Limited and Dawood Islamic Bank (now AL Baraka Bank) Mr. Aamir has a Master's degree in Economics from University of Karachi.*

## RATING RATIONALE

Ratings assigned to Pak Brunei Investment Company Limited (PBICL or "the DFI") reflect its strong ownership structure. As a joint venture between the Government of Pakistan and the Brunei Investment Agency (BIA), PBICL benefits from strategic direction and implicit support from its sovereign stakeholders. The DFI's governance framework aligns with regulatory expectations, supported by a qualified board and management team. Continued emphasis on environmental, social, and governance (ESG) practices, including efforts towards a Shariah-compliant operational model, further reflects PBICL's forward-looking approach.

PBICL's asset quality indicators remain adequate, with non-performing loans at manageable levels and a strong provisioning buffer. The loan portfolio is diversified across key sectors, and recent enhancements in risk management have further strengthened the institution's credit risk governance. Improvements in the internal risk framework, including the restructuring of the risk function and the appointment of dedicated leadership for credit and enterprise risk, have enhanced oversight.

Profit before Tax (PBT) remained stable during the year despite narrowing spreads, owing to a reversal of Expected Credit Loss (ECL) allowance on advances following recovery efforts, vis-à-vis a provisioning charge in the prior year; however, a rebound in earnings was observed in the first quarter of 2025. Although this uptick may not be sustained in the long term, profitability for the ongoing year is expected to remain stable at prior-year levels. As per the management, the DFI is currently reviewing its asset mix with a focus on a sustainable income stream.

Liquidity metrics remain satisfactory, underpinned by a high share of sovereign investments and reliable access to market-based funding. Moreover, the DFI maintains a strong capital base, with a capital adequacy ratio significantly above the regulatory minimum, providing a substantial buffer against potential credit losses. Going forward, the ratings will remain sensitive to sustained asset quality, earnings resilience, and progress on strategic initiatives, including the transition toward Islamic banking.

**<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 Brunei Investment Company Limited — Appendix I

| FINANCIAL SUMMARY | | | | *(in PKR million)* |
|---|---|---|---|---|
| **BALANCE SHEET** | **Dec-22** | **Dec-23** | **Dec-24** | **Mar-25** |
| **Total Investments** | 44,805.38 | 158,671.07 | 168,748.06 | 130,926.80 |
| **Net Advances** | 24,207.86 | 19,609.90 | 21,141.36 | 20,419.55 |
| **Total Assets** | 79,937.63 | 188,070.20 | 201,999.95 | 165,364.16 |
| **Borrowings** | 68,320.24 | 174,594.00 | 184,383.47 | 145,575.18 |
| **Deposits & other accounts** | 54.77 | 0.00 | 1,165.71 | 988.62 |
| **Total Liabilities** | 69,934.40 | 177,231.25 | 189,341.58 | 152,602.22 |
| **Paid-Up Capital** | 6,000.00 | 6,000.00 | 6,000.00 | 6,000.00 |
| **Tier-1 Equity** | 7,555.74 | 8,225.13 | 9,838.05 | 10,008.06 |
| **Net Worth (Exc. Surplus on Reval.)** | 11,504.82 | 11,659.42 | 12,075.21 | 12,368.23 |
| | | | | |
| **INCOME STATEMENT** | **2022** | **2023** | **2024** | **1QCY25** |
| **Net Mark-up Income** | 789.38 | 1,370.19 | 1,086.81 | 902.19 |
| **Net Provisioning / (Reversal)** | (35.34) | 237.65 | -76.66 | 78.53 |
| **Non-Markup Income** | 353.17 | 683.02 | 674.44 | 102.39 |
| **Operating Expenses** | 420.08 | 581.21 | 587.27 | 180.24 |
| **Profit Before Tax** | 743.70 | 1,209.67 | 1,225.64 | 730.90 |
| **Profit After Tax** | 502.86 | 847.44 | 610.50 | 602.10 |
| | | | | |
| **RATIO ANALYSIS** | **2022** | **2023** | **2024** | **1QCY25** |
| **Gross Infection (%)** | 3.57% | 5.44% | 4.83% | 5.06% |
| **Net Infection (%)** | 1.57% | 0.78% | 0.72% | 0.77% |
| **Specific Provisioning Coverage (%)** | 56.78% | 86.35% | 85.81% | 85.40% |
| **General Provisioning Coverage (%)** | 0.00% | 0.40% | 0.39% | 0.64% |
| **Net NPLs to Tier-1 Capital (%) (adj. for general prov.)** | 5.04% | 1.85% | 1.53% | 1.57% |
| **Cost of funds (%)** | 8.94% | 17.10% | 20.42% | 11.22%* |
| **Markup Spreads (%)** | 0.23% | 0.35% | 0.13% | 1.71%* |
| **Efficiency (%)** | 35.53% | 31.74% | 34.39% | 17.81% |
| **ROAA (%)** | 0.77% | 0.63% | 0.31% | 1.31%* |
| **ROAE (%) (Exc. Surplus on Reval.)** | 4.41% | 7.32% | 5.14% | 19.71%* |
| **Liquid Coverage Ratio (%)** | 112.41% | 101.90% | 94.02% | 89.24% |
| **Net Stable Funding Ratio (%)** | 116.54% | 130.18% | 121.18% | 121.71% |
| **Liquid Assets to Deposits & Borrowings** (%)** | 27.79% | 41.73% | 87.99% | 77.51% |
| **Gross Advances to Deposits Ratio*** (%)** | 33469.90% | NA | 1412.28% | 1602.48% |
| **Capital Adequacy Ratio (%)** | 23.02% | 26.58% | 28.52% | 27.95% |

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

| REGULATORY DISCLOSURES | Appendix II |
|---|---|
| **Name of Rated Entity** | Pak Brunei Investment Company (PBICL) |
| **Sector** | Development Finance Institution (DFI) |
| **Type of Relationship** | Solicited |
| **Purpose of Rating** | Entity Rating |

**Rating History**

| Rating Date | Medium to Long Term | Short Term | Rating Outlook | Rating Action |
|---|---|---|---|---|
| **RATING TYPE: ENTITY** | | | | |
| 27-Jun-25 | AA+ | A1+ | Stable | Reaffirmed |
| 28-Jun-24 | AA+ | A1+ | Stable | Reaffirmed |
| 27-Jun-23 | AA+ | A1+ | Stable | Reaffirmed |
| 28-Jun-22 | AA+ | A1+ | Stable | Reaffirmed |
| 29-Jun-21 | AA+ | A1+ | Stable | Reaffirmed |
| 29-Jun-20 | AA+ | A1+ | Stable | Reaffirmed |
| 26-Jun-19 | AA+ | A1+ | Stable | Reaffirmed |
| 27-Jun-18 | AA+ | A1+ | Stable | Reaffirmed |
| 02-Jun-17 | AA+ | A1+ | Stable | Initial |

| | |
|---|---|
| **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 Meetings**

| No. | Name | Designation | Date |
|---|---|---|---|
| 1. | Ms. Humaira Siddique | CFO | **May 19, 2025** |
| 2. | Ms. Natasha Matin | Head Credit Risk & Monitoring | |
| 3. | Mr. Raheel Ubaid | Head Enterprise Risk Management | |
| 4. | Mr. Ashhar Mashhood | Head Investment Banking & Advisory | |