RATING REPORT

Pak Brunei Investment Company Limited (PBIC)

REPORT DATE:
June 28, 2022

RATING ANALYSTS:
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RATING DETAILS				
Rating Category	**Latest Rating**		**Previous Rating**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Entity	AA+	A-1+	AA+	A-1+
Rating Outlook	Stable		Stable	
Rating Action	*Reaffirmed*		*Reaffirmed*	
Rating Date	*June 28, '22*		*June 29, '21*	

COMPANY INFORMATION	
Incorporated in 2006	**External Auditors:** EY Ford Rhodes, Chartered Accountants (Current Statutory Auditors). A.F. Ferguson & Co. Chartered Accountants. (Statutory Auditors till 31 December 2021).
Unlisted Public Company	**Chairman of the Board**: Mr. Sofian Mohammad Jani
Key Shareholders (with stake 5% or more):	**Managing Director**: Ms. Ayesha Aziz, CFA
Brunei Investment Agency – 50.0%	
Ministry of Finance, Pakistan – 49.999%	

APPLICABLE METHODOLOGY(IES)
VIS Entity Rating Criteria: Government Supported Entities (July 2020) ***https://docs.vis.com.pk/docs/Meth-GSEs202007.pdf***

Pak Brunei Investment Company Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

PBIC was incorporated as a Development Finance Institution (DFI) in 2006 and operates as a joint venture of (Government of Pakistan and Brunei Investment Agency. In 2021, A.F. Ferguson & Co. Chartered Accountants conducted the external audit of financial statements. The audit firm is listed in the 'A' category of SBP's panel of auditors.

Profile of Chairman

Mr. Sofian serves as the Acting MD in BIA and oversees asset allocation strategy. He has been associated with BIA for over two decades in the capacity of investment officer and as director of Internal Fund Management Department. His other engagements include serving as a member of the Board for Employees' Trust Fund and Investment Committee of the Monetary Authority of Brunei Darussalam.

Profile of

Pak Brunei Investment Company Limited ('PBIC' or 'the DFI') is a Development Finance Institution (DFI) engaged in provision of financial assistance to industrial and agricultural projects. PBIC is classified as DFI, and comes under the jurisdiction of State Bank of Pakistan (SBP). The DFI operates via its head office in Karachi and with a branch office in Lahore.

Strong sponsor profile with two major sovereign owners.

PBIC is a joint venture between Government of Pakistan (GoP) and Government of Brunei (GoB); each having an equal ownership. While interest of GoP is represented by Ministry of Finance (MoF), interest of GoB is represented by Brunei Investment Agency (BIA). Assigned ratings continue to factor in sovereign sponsor profile.

The assigned rating incorporates asset quality indicators of PBIC, which compare favorably to peers

Given that portfolio growth remained muted during the period under review, the asset quality indicators have not depicted much change since our last review. As per management, slowdown in portfolio growth stemmed from moderating of credit build-up during post Covid-19 economic conditions. PBIC's gross infection is indicative of moderate credit risk. However, gauging from the yield on advances and PBIC's internal average ORR of the portfolio of '3-', credit quality of underlying counterparties is considered sound. Furthermore, gross infection also compares favorably to peers. Even though provisioning coverage leaves room for improvement, the net infection remains adequately low and is considered superior to peers.

Rating takes into account liquidity profile of PBIC

Liquidity profile of the DFI is considered sound in view of availability of funding lines and coverage of borrowings by liquid assets, which stood at 26.6%, as of Mar'22, improving on a timeline. However, it is pertinent to mention that liquid assets comprise mostly of Government Securities, wherein maturity profile were elongated as of Dec'21; as a result, there was a liquidity shortfall of Rs. 10.4b in the one-month bucket, as of Dec'21 (Dec'20: Rs. 3.2b). As per management, the liquidity shortfall is mainly attributed to REPO borrowing against government securities, which is essentially short-term borrowing and can easily be replaced in money market at maturity. Provided that SBP also provides discounting facility against government securities, this negative gap in one-month bucket does not pose liquidity threat to the entity.

PBIC's profitability indicators compare adversely to peers, warranting improvement

PBIC's profitability profile is characterized by thin spreads albeit an adequately low efficiency ratio. The former is mainly a function of lending at lower rates, mainly as counterparty credit risk selection is conservative and declining advances as proportion of assets. As per management, in addition to conservative counterparty risk selection lower spreads also resulted from a shift towards short term advances (carrying lower spreads) in view of the economic conditions. Accordingly, PBIC's RoAA compares adversely to peers and the industry, warranting

Managing Director

Ms. Ayesha Aziz (MD) spearheads the management team at PBIC. She is a seasoned professional with over 28 years of experience in project finance, asset management, corporate finance advisory and treasury activities. Ms. Aziz is an MBA from the Institute of Business Administration (IBA) and a qualified Chartered Financial Analyst (CFA). She is a director on the Board of Awwal Modaraba Management Limited, KSB Pumps Company Limited, Engro Polymer and Chemicals Limited and Glaxo SmithKline Consumer Healthcare besides chairing the Board of Primus Leasing Limited.

improvement in the same. The short to medium term outlook on PBIC's profitability is stressed mainly as spread is likely to undergo contraction in the short term and normalize by Q4'22/Q1'23; this is mainly attributable to the upward trajectory in benchmark rates, which should translate in an uptick in spread. Nevertheless, given the lag in repricing of assets vis-à-vis liabilities, the spread is likely to contract in Q2/Q3'22 and normalize subsequently. Furthermore, the sizable holdings of Fixed PIB portfolio will translate in investment deficits, which will impact PBIC's capital buffers.

Ratings incorporate PBIC capital buffers fall in line with peers and VIS' benchmark

At present, PBIC's CAR, of 25.7% falls in line with the peers and the benchmark for the assigned rating. The DFI's CAR remains exposed to MTM impact of interest rate increase. Given the significant movement in benchmark rates since Mar'22, CAR is likely to recede by Jun'22.

Corporate Profile

Pak Brunei Investment Company Limited ('PBIC' or 'the DFI') is a Development Finance Institution (DFI) engaged in provision of financial assistance to industrial and agricultural projects. PBIC comes under the jurisdiction of State Bank of Pakistan (SBP). PBIC operates via its head office in Karachi, with a branch office in Lahore.

Pattern of Shareholding

PBIC is a joint venture between Government of Pakistan (GoP) and Government of Brunei (GoB); each having an equal ownership. While interest of GoP is represented by Ministry of Finance (MoF), interest of GoB is represented by Brunei Investment Agency (BIA).

Table 1: Shareholding Pattern

Shareholding	Entity	%
Government of Pakistan (GoP)	Ministry of Finance	49.9993%
	Secretary – Economic Affairs Division	0.0007%
Government of Brunei (GoB)	Brunei Investment Agency	50.0%

Board Profile

Board of Directors (BoD) at PBIC comprises 4 directors and is chaired by Mr. Sofian Mohammad Jani. As per JV agreement, each sponsor has 2 nominee directors on the BoD. The BoD Chairman is nominated by BIA, whereas Managing Director (MD) is nominated by GoP.

Table 2: Board of Directors

Name	Status	Nominee
Mr. Sofian Mohammad Jani	Chairman	BIA
Ms. Dk Noorul Hayati	Non-Executive Director	BIA
Mr. Arif Ahmed Khan	Non-Executive Director	MoF
Ms. Ayesha Aziz	Executive Director	MoF

During the period under review, BIA nominated Ms. Dk Noorul Hayati as non-executive director on board of PBIC in place of Mr. Edzwan Zukri. Ms. Noorul Hayati's fit and proper test was cleared by SBP on 17 March 2022 and her appointment was approved by BoD on 28 March 2022. All DFIs operating in Pakistan including PBIC have attained an exemption with a clause related to BRPD Circular No. 15 of 2016 circulated by SBP, which mandates that at least a third of the BoD are independent. However, this exemption is only applicable if the DFI complies with certain requirements including training of directors, performance evaluation of the Board and audit of financial statements through Quality Control Review (QCR) rated firms. All members of BoD have completed director's training.

During 2021, 4 meetings of the BoD were convened. Full attendance was observed by all the directors. In order to ensure effective oversight, 3 committees are also present at Board level. These include Board Audit Committee (BAC), Board Human Resource Committee (BHRC) and Board Credit and Risk Management Committee (BCRMC). While BAC meetings were convened 4 times, BHRC and BCRMC meetings were held twice during the outgoing year.

Management Profile

Ms. Ayesha Aziz (MD) spearheads the management team at PBIC. She is a seasoned professional with over 28 years of experience in project finance, asset management, corporate finance advisory and treasury activities. Ms. Aziz is an MBA from the Institute of Business Administration (IBA) and a qualified Chartered Financial Analyst (CFA). Moreover, management team comprises experienced professionals who have had a lengthy association with PBIC. Total staff strength stood at 96 as of Dec'21 (Dec'20: 91).

Organizational structure of PBIC is well defined with dedicated departmental heads. Along with core operations of a DFI, PBIC has developed expertise in revival financing. The Advisory and Strategic Investment Group (ASIG) undertakes revival financing including consultancy on turnaround strategies. PBIC's 3 wholly owned subsidiaries share certain support functions with PBIC. These include administration, HR, IT, Risk, Internal Audit and compliance.

Strategic Holdings

During the year, PBIC received regulatory and Board approvals to form a new subsidiary company to carry out corporate restructuring business. As per plan, AWWAL Modaraba is to be merged to form AWWAL Corporate Restructuring Company (Awwal CRC) Limited with a capital of Rs. 1b. The surviving entity Awwal CRC will principally operate as a business revival entity under the newly framed CRC Rules 2019. PBIC also has two other wholly owned subsidiaries i.e. Awwal Modaraba Management Limited and Primus Leasing Company Limited.

Financial Analysis

Asset Mix

PBIC's asset base depicted growth of 28% and 5% in 2021 and Q1'22 respectively. The growth exceeded the uptick in overall industry assets, as a result of which PBIC accounts for 9.9% of the DFI industry assets as of Mar'22.

Table 3: Asset Mix

(Rs. in m)	Dec'20	%	Dec'21	%	*Mar'22*	%
CCEs*	1,098	2.7%	2,187	4.3%	1,119	2.1%
Advances	19,134	47.5%	20,300	39.5%	19,653	36.5%
Investments	17,483	43.4%	26,247	51.0%	30,402	56.4%
Other Assets	2,539	6.3%	2,716	5.3%	2,731	5.1%
Total Assets	**40,253**		**51,450**		**53,905**	

*** CCEs (Cash & Cash Equivalents) include Cash & Balances with Treasury Banks, Balances with Other Banks and Dues from FIs**

As illustrated in the table above, the growth in assets was largely channeled towards the investment portfolio, as lending strategy remained conservative during the period under review. Accordingly, PBICL's market share, calculated on the basis of net advances, declined from 17.2%, as of Dec'20, to 13.6% as of Mar'22.

Credit Risk

Table 4: Sector-wise (Top 10) breakup of Advance Portfolio & Gross Infection (GI)

	Dec'20	GI	Dec'21	GI
Textile	22.1%	0.6%	20.6%	0.5%
Power, Gas, Water, Sanitary	14.3%	5.0%	15.7%	4.2%
Chemical and Pharmaceutical	15.4%	0.0	14.8%	0.0%
Food and Beverage	8.8%	17.8%	8.8%	17.1%
Steel and Engineering	2.5%	1.3%	6.6%	0.5%
Construction	2.4%	0.0%	4.1%	0.0%
Financial	0.8%	0.0%	2.5%	0.0%
Others	0.3%	5.9%	2.4%	3.4%
Automobile and Transportation Equipment	1.6%	1.2%	1.4%	0.4%
Hotels	4.9%	0.0%	0.1%	0.0%
Gross Advances (In Rs. bn)	**19.6**	**5.0%**	**20.8**	**4.9%**

Even though the portfolio growth remained muted during the period under review, we have noted changes in YoY sector exposures. Main growth sectors were Steel and Engineering (+Rs. 882m), Power, Gas, Water and Sanitary (+Rs. 481m) and Construction (+Rs. 400m). The advances portfolio entirely comprises private sector exposures.

Table 5: Segment-wise Breakup of Gross Advances

(Rs. in m)	Dec'20	%	Dec'21	%	Mar'22	%
Corporate	15,351	79%	16,557	80%	15,844	79%
ASIG	3,203	17%	2,842	14%	2,823	14%
SME	784	4%	1,218	6%	1,301	7%
	19,337	**100%**	**20,617**	**100%**	**19,968**	**100%**

In terms of segment-wise exposures, corporate segment remains the mainstay of the DFI's lending operations. As such, segment-wise exposures remain similar, with the exception of slight uptick in SME exposures. Given significant corporate sector exposure, the portfolio does depict counterparty concentration, as can be inferred from the proportion of top 10 exposures to portfolio, which increased from 34.5%, as of Dec'20, to 36.4% as of Dec'21. Alternatively top 10 unfunded exposures to portfolio declined from 12.4%, as of Dec'20, to 6.1%, as of Dec'21.

Given that the portfolio growth remained muted during the period under review, the asset quality indicators have not depicted much change since our last review. PBIC's gross infection is indicative of moderate credit risk. However, gauging from the yield on advances and PBIC's internal average ORR of the portfolio of '3-', credit quality of underlying counterparties is considered sound. Furthermore, gross infection also compares favorably to peers. Even though provisioning coverage leaves room for improvement, the net infection remains adequately low and is considered superior to peers.

Table 6: Asset Quality Indicators

	Dec'20	Dec'21	Mar'22
NPLs (In Rs. Millions)	984	1,019	1,019
Gross Infection	5.0%	4.9%	5.0%
Net Infection*	2.9%	2.3%	2.6%
Provisioning Coverage (Specific)	43.0%	48.8%	50.3%
Provisioning Coverage (Total)	43.0%	53.7%	55.2%

** Only takes into account specific provisions*

Investment

Table 7: Investment Portfolio

(Rs. in m)	Dec'20	%	Dec'21	%	Mar'22	%
Government Securities	11,881	68.0%	21,410	81.6%	24,793	81.5%
Non-Government Securities	2,595	14.8%	1,962	7.5%	2,525	8.3%
Equities	728	4.2%	822	3.1%	884	2.9%
Mutual Funds	233	1.3%	0	0.0%	0	0.0%
Commercial Paper	43	0.2%	50	0.2%	187	0.6%
Subsidiaries	2,003	11.5%	2,003	7.6%	2,013	6.6%
Total	**17,483**		**26,247**		**30,402**	

As illustrated in the table above, PBIC's investment portfolio is notably larger on a timeline, increasing from 43% of asset base (Dec'20) to 56% by Mar'22. The credit quality of the investment portfolio is considered sound, given majority (~81.5%) of the debt exposure constitutes sovereign securities, which are considered the lowest credit risk in domestic context. The non-government debt securities are largely (88%) rated 'A' or above, while the remaining comprises unrated or speculative exposures.

PBIC's portfolio does depict exposure to market risk. As of Mar'22, the DFI was carrying a PIB portfolio of Rs. 11.9b, 60% of which were fixed rate instruments. The portfolio was carrying a deficit of Rs. 1.2b. Since, Mar'22, the benchmark rates have notably increased, however, since the rise in yield curve is twisted i.e. rates have increased more in shorter tenor as compared to longer tenor, increase in deficit on fixed term portfolio is only fractional. As per management, portfolio duration has subsequently been revised downward, keeping in view the rising interest rate scenario.

Liquidity Risk

Table 8: Liquidity Indicators

(Rs. in m)	Dec'20	Dec'21	Mar'22
Deposits	830	50	50
Liquid Assets	15,144	25,506	27,262
Borrowings	27,763	40,285	42,474
Subordinated Debt	-	-	-
Gross Advances to Deposit Ratio (ADR)	1661.3%	29194.7%	27636.8%
Cost of Deposits	9.2%	7.3%	11.1%
Cost of Funding	10.3%	6.7%	8.9%
Liquid Assets to Total Deposits & Borrowings	21.4%	24.5%	26.6%
LCR	116.6%	95.8%	99.7%
NSFR	112.4%	109.7%	107.9%
Borrowings from SBP	5,769	6,250	6,397
Investments given as collateral	10,600	20,408	23,589
Repo Borrowings	7,392	19,496	20,960

Liquidity profile of the DFI is considered sound in view of availability of funding lines and coverage of borrowings by liquid assets, which stood at 26.6%, as of Mar'22, improving on a timeline. However, it is pertinent to mention that liquid assets comprise mostly of Government Securities, wherein maturity profile were elongated as of Dec'21; as a result, there was a liquidity shortfall of Rs. 10.4b in the one-month bucket, as of Dec'21 (Dec'20: Rs. 3.2b).

As per management, the liquidity shortfall is mainly attributed to REPO borrowing against government securities, which is essentially short-term borrowing and can easily be replaced in money market at maturity. Provided that SBP also provides discounting facility against government securities, this negative gap in one-month bucket does not pose liquidity threat to the entity.

The DFI's LCR has moved slightly below 100% during the period under review, which should ideally be above 1x. However, there is no regulatory requirement for maintenance of LCR for DFIs. NSFR has remained above 100% during the period under review. In order to improve NSFR, arranging long term funding sources is a challenge. The management has managed to obtain fresh long term secured borrowings to achieve a better NSFR during the 1QCY22.

As illustrated in Table 8, funding of the DFI is done through borrowings, which is the primary growth driver of the DFI. Funding includes unsecured exposures, borrowing from SBP under the LTFF and TERF scheme and repo borrowings, with a major portion comprising GoP secured financing.

In the ongoing year, SBP has allowed DFIs to participate in Open Market Operations for liquidity management instruments. The development bodes well for the DFI industry, in terms of allowing them to better manage their short term liquidity.

Profitability

PBIC's profitability profile is characterized by thin spreads and adequately low efficiency ratio. The former is mainly a function of lending at lower rates, mainly as counterparty credit risk selection is conservative and declining advances as proportion of assets. As per management, the reasons for muted credit growth and lower spreads were deliberate slowdown in build-up post Covid-19 and a shift towards short term advances (carrying lower spreads) in view of the economic conditions. Accordingly, PBIC's RoAA compares adversely to peers and the industry, warranting improvement in the same.

Table 9: Profitability Indicators

	2020	2021	1Q'22
ROAA	**1.5%**	**1.0%**	**0.5%***
ROAE	**6.6%**	**4.3%**	**2.1%***
Spread	**1.2%**	**1.5%**	**0.1%**
- Average Return on Earning Assets	11.5%	8.2%	9.0%
- Cost of Funding	10.3%	6.7%	8.9%
Efficiency Ratio	**36.7%**	**37.9%**	**45.0%**
** Annualized*			

Given the monetary easing undertaken by the State Bank of Pakistan (SBP) in 2021, benchmark rates remained on the lower side for the major part of 2021. Average prevailing (MoM) benchmark rate for 2021 was ~130 bps lower than 2020. Accordingly, PBIC's profit on earning assets declined by 326.9 bps, while the DFI was also able to lower the cost of funding by ~364.6 bps, resulting in net increase in spread by ~37.8 bps.

Table 10: Income Statement Extract

	2020	2021
Net Spread	**768**	**866**
- Profit on Financings & Investments	3,681	3,335
- Profit Expensed on Funding	2,913	2,469
Non-Markup Income	**688**	**340**
- Fee & Commission Income	74	72
- Dividend Income	158	140
- Gain/ (Loss) on securities	448	125
- Other Income	8	3

Given the increase in size of investment portfolio, 64% of the markup income was contributed by investments, while advances portfolio contributed 35% (2020: 58:38). Given the improvement in spread, in addition to the volumetric growth in asstes, the DFI's net spread income posted 12.8% growth. PBIC's non markup income notably fell, mainly on account of lower gain on sale of securities, as illustrated in the table above.

Administrative expenses increased by 12% in 2021, which was aligned with the inflation. Given relatively similar expense base and operational revenue quantum, the efficiency ratio of PBIC remained stable YoY.

PBIC's profit before tax reduced to Rs. 0.7b (2020: Rs. 1.0b) in 2021. PBIC's provisioning burden[1] increased from 3.2% to 9.1%, mainly on account of the lower profit before provisions and taxes. In absolute terms, provisioning charge amounted to Rs. 70.7m (2020: Rs. 34.0m). Profit after tax was reported at Rs. 481.3m (2020: Rs. 718.4m) during 2021. In 1Q'22, net profit was reported at Rs. 59.6m (1Q21: Rs. 106.7m).

The short to medium term outlook on PBIC's profitability is stressed mainly as spread is likely to undergo contraction in the short term and normalize by Q4'22/Q1'23; this is mainly attributable to the upward trajectory in benchmark rates, which should translate in an uptick in spread. Nevertheless, given the lag in repricing of assets vis-à-vis liabilities, the spread is likely to contract in Q2/Q3'22 and normalize subsequently. Furthermore, the sizable holdings of PIB portfolio will translate in investment deficits, which will impact PBIC's capital buffers.

Capitalization

Table 11: Capitalization

(Rs. in m)	Dec'20	Dec'21	Mar'22
Net Equity	**11,125**	**11,305**	**11,365**
- Paid up Capital	6,000	6,000	6,000
- Reserves	1,724	1,920	2,032
- Retained Profits	3,402	3,385	3,333
Leverage	**19.1%**	**16.3%**	**13.8%**

1 Provisioning burden = Provisioning Charge / Profit Before Tax & Provisions

CAR	**26.6%**	**29.4%**	**25.7%**
Tier I CAR	26.6%	29.4%	25.7%
CET I	26.6%	29.4%	25.7%
Dividend Payout	**41.8%**	**62.3%**	**NA**

Overall capitalization indicators remain sound with healthy buffers as reflected by CAR at end-Mar'22. The DFI has consistently paid out dividends of Rs. 300m each year to its shareholders for the past 4-year period (2018-21). Dividend payout ratio for 2021 was reported at 62.3% (2020: 41.8%).

At present, PBIC CAR, of 25.7% falls in line with the peers and the benchmark for the assigned rating. The DFI's CAR remains exposed to MTM impact of interest rate increase. Given the significant movement in benchmark rates since Mar'22, CAR is likely to recede by Jun'22.

Pak Brunei Investment Company Appendix I

FINANCIAL SUMMARY	*(amounts in PKR millions)*			
BALANCE SHEET	**31-Dec-19**	**31-Dec-20**	**31-Dec-21**	**31-Mar-22**
Total Investments	31,817.0	17,482.9	26,246.6	30,402.1
Net Advances	18,771.4	19,133.9	20,300.1	19,652.5
Total Assets	57,773.5	40,253.4	51,449.8	53,904.8
Borrowings	45,152.0	27,763.4	40,284.8	42,474.2
Deposits & other accounts	620.0	830.0	50.0	50.0
Paid-Up Capital	6,000.0	6,000.0	6,000.0	6,000.0
Tier-1 Equity	7,805.9	8,046.7	8,435.7	7,916.7
Net Worth	10,549.4	10,732.6	10,232.0	10,270.1
INCOME STATEMENT	**2020**	**Q1'21**	**2021**	**Q1'22**
Net Mark-up Income	767.7	230.2	866.2	130.2
Net Provisioning / (Reversal)	34.0	2.5	70.7	16.1
Non-Markup Income	687.7	27.1	340.3	51.4
Administrative Expenses	366.2	102.9	408.9	89.0
Profit (Loss) Before Tax	1,033.4	151.9	703.6	76.5
Profit (Loss) After Tax	718.4	106.7	481.3	59.6
RATIO ANALYSIS	**31-Dec-19**	**31-Dec-20**	**31-Dec-21**	**31-Mar-22**
Gross Infection (%)	3.11%	5.03%	4.89%	5.04%
Provisioning Coverage (%)	66.17%	43.04%	53.69%	55.2%
Net Infection (%)	1.07%	2.93%	2.32%	2.57%
Net NPLs to Tier-1 Capital (%)	2.58%	6.96%	6.15%	6.36%
Capital Adequacy Ratio (C.A.R (%))	27.27%	26.64%	29.42%	25.69%
Efficiency (%)	32.49%	36.66%	37.92%	44.97%
ROAA (%)	0.69%	1.47%	1.05%	0.46%*
ROAE (%)	3.56%	6.75%	4.59%	2.36%*

**Annualized*

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' 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. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES	Appendix III
Name of Rated Entity	Pak Brunei Investment Company (PBIC)
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				
28-Jun-22	AA+	A-1+	Stable	Reaffirmed
29-Jun-21	AA+	A-1+	Stable	Reaffirmed
29-Jun-20	AA+	A-1+	Stable	Reaffirmed
26-Jun-19	AA+	A-1+	Stable	Reaffirmed
27-Jun-18	AA+	A-1+	Stable	Reaffirmed
2-Jun-17	AA+	A-1+	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.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Due Diligence Meetings

Name	Designation	Date
Mr. Abdul Jaleel Shaikh	COO	June 16, 2022
Ms. Humaira Siddique	CFO	
Mr. Saiyid Najam Rizvi	Head of Credit Risk & Monitoring	