



Rating Action

Lahore : 02-May-2013

Analyst

Saira Rizwan
(+92-42-35869504)
saira.rizwan@pacra.com
www.pacra.com

Applicable Criteria and Related Research

- Bank Rating Methodology

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

PACRA UPGRADES ENTITY RATINGS OF PAIR INVESTMENT COMPANY LIMITED

The Pakistan Credit Agency Limited (PACRA) has upgraded the long-term entity rating of PAIR Investment Company Limited (PAIR) to "AA" (Double A) [Previous: "AA-"] and maintained the short-term rating at "A1+" (A One Plus). These ratings indicate a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings of PAIR reflect management's well conceived strategy to improve business profile of the company, envisaging conservative growth in risk-based lending while strengthening risk management framework and improving technology infrastructure. To finance targeted growth in fund-based business, the company is pursuing diversification in funding base. Meanwhile, the management's focus to build sizeable non-funded revenue source, adding sustainability to its performance, is considered positive. Nevertheless, high-cost of funding and deteriorating asset quality remain key challenges. The ratings continue to derive strength from sovereign ownership structure of PAIR - jointly owned by the Governments of Pakistan and Iran.

PAIR's ratings are dependent on the management's ability to sustain growth momentum while managing the associated risks. Significant deterioration in asset quality, thereby impacting risk absorption capacity, would have negative implication for the ratings. Upholding high governance standards remain important.

About the Company

PAIR Investment Company Limited is in operations since May 2007 as a Development Finance Institution. It is a joint venture that is equally owned by the Governments of Islamic Republic of Pakistan through the Ministry of Finance (MoF) and the Islamic Republic of Iran through Iran Foreign Investment Company (IFIC). The objective of the company is to promote economic development in Pakistan.

According to the Joint Venture Agreement, both the partners have equal representation on the six-member Board. However, two of the Iranian directors are re-nominated of late, and their appointment is in process subject to the regulator's approval. Mr. Bijan Rahimi, nominated by IFIC, is the board's Chairman, while Syed Ahmed Iqbal Ashraf, nominated by MoF holds the position of MD. Mr. Ashraf is a Fellow of Association of Chartered Certified Accountants from England with 33 years of local and international banking experience at senior level. He has served as CEO of Bank of Khyber, DMD of Pak-China Investment Company and SEVP/Group Chief of Corporate Investment Banking and Overseas Banking Group at NBP. He is assisted by an experienced team.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.