



The Pakistan Credit Rating Agency Limited

Rating Report

Export-Import Bank of Pakistan

Report Contents
1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History table with columns: Dissemination Date, Long Term Rating, Short Term Rating, Outlook, Action, Rating Watch. Row: 01-Nov-2024, AAA, A1+, Stable, Initial, -

Rating Rationale and Key Rating Drivers

The Export-Import Bank of Pakistan (EXIM, or the Bank) was established in February 2023 by the Government of Pakistan (GoP) through the Export-Import Bank of Pakistan Act, 2022. The ratings reflect a high propensity of state support for EXIM when required, due to the Bank’s strategic importance to the State, as outlined in Chapter VI, Clause 25, of the Export-Import Bank of Pakistan Act, 2022, in conjunction with Clause 43. Empirical evidence is available around the globe, where banks with similar objectives are able to replenish equity through state support, when necessary, which forms the basis for the assigned ratings. The ratings further take comfort from its sovereign ownership and strategic importance to GoP as a key policy institution. EXIM’s strategic objectives include increasing the country’s share in global exports while diversifying across sectors and regions. To achieve these goals, EXIM has initially introduced short-term “Trade Credit Insurance” products for exporters and commercial banks, utilizing available equity beyond its core equity of PKR 10 billion. These insurance policies enable Pakistani exporters and their banks to offer open terms to international buyers and their banks, enhancing the overall export competitiveness in the global market. Through these policies, exporters and their banks can insure against non-payments of receivables covered under the policies, with EXIM covering the losses up to the policy limits. To scale up its business and mitigate risk, EXIM is also seeking reinsurance arrangements. Until these arrangements are in place, EXIM is focused on capital preservation by (a) ensuring to maintain a minimum capital requirement of PKR 10bln net of losses as per the Bank’s strategic plan. (b) maintaining the Capital Adequacy Ratio (CAR) with a high amount of cushion therein, required by the State Bank of Pakistan (SBP), and (c) avoiding liquidity risks. During the initial phase of operations, without reinsurance arrangements, underwriting concentration risk will be the highest due to the limited number of buyers. To counter liquidity risk that might arise due to claims in the early stage of operations, EXIM implements risk mitigation measures, including (i) non-aggressive credit underwriting, (ii) low leverage of capital at risk, and (iii) setting low transactional limits. EXIM began its commercial operations in December 2023. As of June 2024, EXIM’s equity stands at PKR 18.141bln (Tier-1 entirely). Capitalization metrics remain strong and are anticipated to absorb any incremental asset quality-related shocks to support growth requirements. As EXIM expands its policy business, it will face potential incremental risk from its portfolio. The Bank’s ability to minimize significant slippages from this segment will remain a crucial area for the ratings. Furthermore, the bank has agreed to having a robust risk management framework and adherence to the framework remains imperative for the ratings.

Disclosure

Table with 2 columns: Field Name, Value. Fields include Name of Rated Entity, Type of Relationship, Purpose of the Rating, Applicable Criteria, Related Research, Rating Analysts.



Development Financial Institutions (DFIs)

The Pakistan Credit Rating Agency Limited

Profile

Structure The Export-Import Bank of Pakistan (referred to herein as 'EXIM' or 'the Bank') was established in 2022 as a state-owned enterprise (SOE) under the Export-Import Bank of Pakistan Act, 2022.

Background In June 2015, EXIM Bank of Pakistan Ltd. was established and declared a DFI by the Government of Pakistan (GoP). Following the establishment of the "Export-Import Bank of Pakistan", the whole undertaking of EXIM Bank of Pakistan Ltd. was transferred to the Bank, and the antecedent entity stood dissolved. In December 2023, EXIM formally commenced its operations.

Operations EXIM is established for the purpose of (a) supporting, promoting, and developing international trade, trade investments, and export-oriented and imported substituting businesses and industries in accordance with the provisions of the Act and the national trade policies and programs of the Federal Government. (b) the administration, operation, and management of such international trade schemes as may be transferred or outsourced to the Bank by the Federal Government or any of its agencies, or the State Bank, as a trustee, agent, or service provider, on such terms and conditions as may be prescribed through the rules under the Act. (c) the discharge of any function entrusted to it by the Federal Government for the advancement of the purposes of the Bank under the Act and on such terms and conditions as may be specified.

Ownership

Ownership Structure The GoP holds a 100% stake in the Bank.

Stability As per the governing act, the Federal Government is and will remain the sole shareholder of the Bank at all times, ensuring stability. Additionally, the classification of EXIM as an essential SOE by the Cabinet Committee on State-Owned Enterprises further reinforces this stability.

Business Acumen The GoP's determination in establishing EXIM underscores its commitment to promote economic growth and enhance the country's competitiveness in the global market, showcasing its business acumen as a key shareholder.

Financial Strength The Ministry of Finance has allocated financial resources, indicating a strong likelihood of continued state support for the Bank. As outlined in Chapter VI, Clause 25, and read in conjunction with Clause 43 of the Export-Import Bank of Pakistan Act, 2022, this ensures a high propensity for state backing, further enhancing the Bank's financial strength.

Governance

Board Structure In compliance with the governing act, the Federal Government has appointed a seven-member board, including Acting CEO, the Chairman, two ex-officio directors, and three independent directors.

Members' Profile The current board of EXIM Bank comprises experienced professionals with diverse expertise in finance, banking, and policymaking. Chairman Mr. Naeem Iqbal brings extensive experience from key positions in both domestic and international banks. Other board members include Ms. Ayesha Aziz, an investment banking expert; Mr. Imran Maqbool, former President and CEO of MCB Bank Ltd. with nearly four decades of banking experience; Dr. Shujat Ali, a retired civil servant; Mr. Qumar Sarwar Abbasi, who has held various government positions; Mr. Jawad Paul Khawaja, the Federal Secretary of Commerce; and Mr. Abdul Hafeez, a fellow member of ICAP, having a career spanning over 23 years in which he played key roles in establishing and setting strategic directions of multiple Financial Institutions.

Board Effectiveness The board acts as a supervisory function, providing effective oversight of the Bank's operations and policymaking. Furthermore, the board has four subcommittees for effective monitoring, i.e., i) Audit, ii) Human Resource & IT, iii) Risk Management, and iv) Finance and Procurement. As per the Act, the Board is required to conduct at least one meeting each quarter.

Financial Transparency The Bank prepares quarterly, half-yearly, and annual financial statements in accordance with prudential regulations and any regulations prescribed by the Board. KPMG serves as the external auditor for CY23. The auditor's report for CY23 is awaiting Board approval due to an incomplete quorum.

Management

Organizational Structure The Bank has a well-defined organizational structure comprising eight departments. Namely, (i) Information Technology, (ii) Internal Audit, (iii) Risk Management, (iv) Corporate & FI, (v) Commercial & SME (vi) Strategy & Business Excellence, (vii) Operations, and (viii) Finance. Each division is headed by a qualified resource who reports directly to the CEO.

Management Team The Bank has recruited seasoned professionals from the banking sector and is actively expanding its human resources. Mr. Abdul Hafeez, a Chartered Accountant with 23 years of experience in planning, strategy, and financial management, serves as the acting CEO, President, and CFO.

Effectiveness The Management Committee (MANCOM) has been established to provide comprehensive oversight, ensuring that the Board's directives are translated into effective business strategies and that the Bank achieves its corporate objectives. MANCOM includes several key committees: the Asset Liability Committee (ALCO), the Compliance & Control Committee, the Risk Management Committee. These committees play a crucial role in managing the day-to-day operations of the Bank.

MIS EXIM is in process of acquiring multiple systems to meet its requirements for ERP, Credit Insurance Solution Application & Services, and Treasury applications.

Risk Management Framework The Bank has implemented a robust underwriting policy framework to evaluate and approve risk limits in alignment with its operational guidelines. The Risk Management Department will handle underwriting and risk assessments for corporations and banks, perform risk analytics, and maintain buyer credit information.

Business Risk

Industry Dynamics There are two categories of DFIs operating in Pakistan. Broad objective DFIs and specific objective DFIs. Broad objective DFIs are also known as Joint Venture Financial Institutions (JVFI) and are majority owned by national governments in order to implement the government's foreign development policies. Specific objective DFIs are created for the development of a specific sector.

Relative Position EXIM is the only official export credit agency of the Country to support, develop, and promote international trade and the country's competitiveness in the international marketplace by, inter alia, providing trade financing, trade credit insurance, equity participation, and trade services.

Revenues The Bank reported net interest earned of PKR 1,512mln (CY23: 2,292mln) during 1HCY24, which was attributed mainly to interest earned on the investment portfolio.

Performance During 1HCY24, fee and commission income against policy underwriting stood at PKR 2.637mln. Net income stood at PKR 1,364mln, with a substantial portion attributed to returns from the investment portfolio.

Sustainability EXIM will adopt a 3-phased strategy to roll out its product offerings in the market. Currently, the Bank is offering short-term credit insurance products to exporters and commercial banks, using its existing resources while establishing business offices in major cities. The management is also committed to gaining reinsurance cover, which would help expand the business going forward. During the remaining phases, EXIM will launch its lending products along with export receivable insurance and surety products.

Financial Risk

Credit Risk The Bank is engaged in providing credit insurance to local businesses against non-payment risk arising from foreign buyers. Hence, the bank will be taking credit exposure on foreign buyers.

Market Risk The investment portfolio of PKR 21,515mln as of June'24, represents investments made in government securities. After reviewing the Bank's liquidity position, the ALCO decides the optimal asset allocation. Investment in fixed-rate and low-rated securities is discouraged. Predominant deployment is made in floating rate securities.

Liquidity And Funding The Bank has received paid up capital of PKR 13bln from the Federal Government. The Bank will receive funding and support directly from the GoP. The treasury would endeavor to match the maturity profile of assets and liabilities.

Capitalization The CAR of the Bank stood at 291.78% as of Dec23, representing the Bank's conservative risk exposure. Furthermore, the leverage ratio representing Tier 1 capital to total exposure stood at 95.78%. Going forward, the Bank aims to maintain the CAR with a substantial cushion, as required by the SBP.



PKR mln

Export-Import Bank of Pakistan
DFI

Jun-24	Dec-23	Dec-22	Dec-21
6M	12M	12M	12M

A BALANCE SHEET

1 Total Finances - net	82	41	32	19
2 Investments	21,515	13,510	10,471	9,021
3 Other Earning Assets	-	-	-	-
4 Non-Earning Assets	673	476	2,614	3,218
5 Non-Performing Finances-net	-	-	-	-
Total Assets	22,269	14,027	13,117	12,259
6 Deposits	-	-	-	-
7 Borrowings	-	-	-	-
8 Other Liabilities (Non-Interest Bearing)	4,128	249	196	78
Total Liabilities	4,128	249	196	78
Equity	18,142	13,778	12,921	12,181

B INCOME STATEMENT

1 Mark Up Earned	1,516	2,295	1,322	664
2 Mark Up Expensed	(1)	(2)	(2)	(5)
3 Non Mark Up Income	3	-	-	-
Total Income	1,517	2,292	1,320	659
4 Non-Mark Up Expenses	(153)	(282)	(271)	(132)
5 Provisions/Write offs/Reversals	-	-	-	-
Pre-Tax Profit	1,364	2,011	1,049	527
6 Taxes	-	(277)	(309)	(155)
Profit After Tax	1,364	1,734	740	372

C RATIO ANALYSIS

1 Cost Structure

Net Mark Up Income / Avg. Assets	16.7%	16.9%	10.4%	5.5%
Non-Mark Up Expenses / Total Income	10.1%	12.3%	20.5%	20.1%
ROE	17.1%	13.0%	5.9%	3.1%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	81.5%	98.2%	98.5%	99.4%
Capital Adequacy Ratio	N/A	291.8%	N/A	N/A

3 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings Net of Repo)	N/A	N/A	N/A	N/A
(Advances + Net Non-Performing Advances) / Deposits	N/A	N/A	N/A	N/A

4 Credit Risk

Non-Performing Advances / Gross Advances	0.0%	0.0%	0.0%	0.0%
Non-Performing Finances-net / Equity	0.0%	0.0%	0.0%	0.0%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
---	---	--	--	---

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

a) Broker Entity Rating	e) Holding Company Rating
b) Corporate Rating	f) Independent Power Producer Rating
c) Debt Instrument Rating	g) Microfinance Institution Rating
d) Financial Institution Rating	h) Non-Banking Finance Company

Disclaimer: PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

Proprietary Information

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent