



Development Financial Institutions

Research Team

Ayesha Wajih | Assistant Manager Research
Muhammad Shahryar Butt | Associate Research Analyst

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Development Financial Institutions

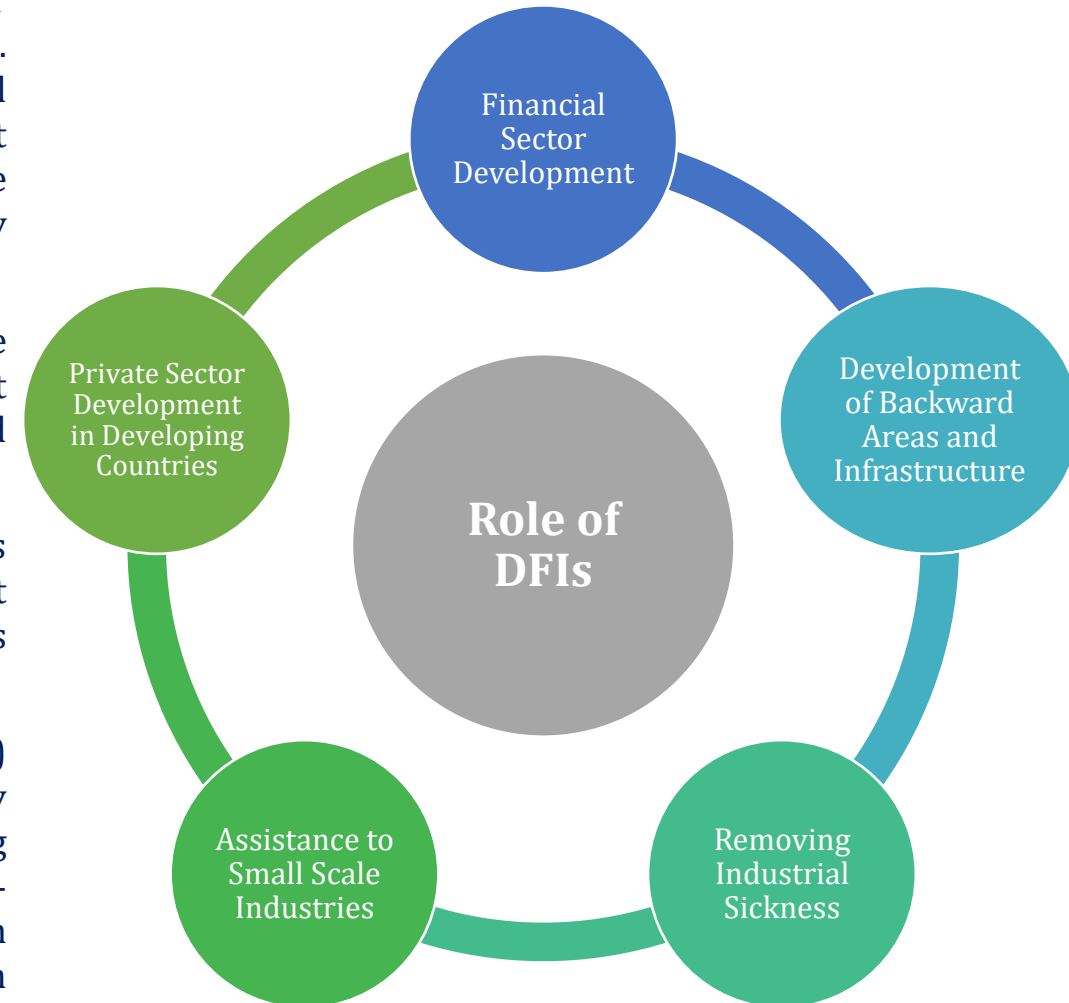
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Development Financial Institutions

Introduction

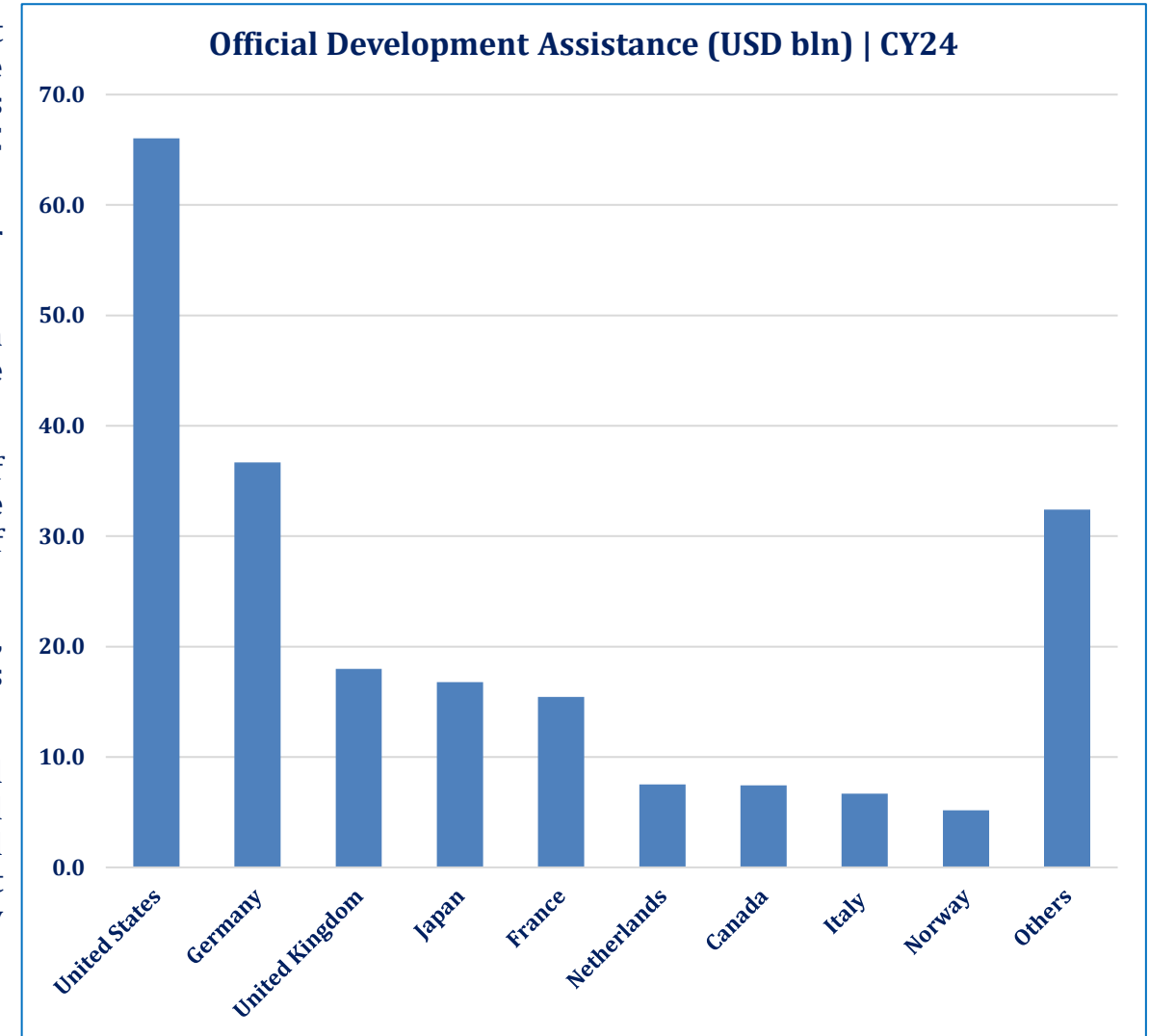
- Development Finance Institutions (DFIs) are specialised development banks or subsidiaries set up to support private sector development in developing countries. They are usually majority-owned by national governments and source their capital from national and/or international development funds or benefit from government guarantees. This ensures their creditworthiness, enabling them to raise large amounts of money on international capital markets and provide financing on very competitive terms.
- DFIs invest in private sector projects in low and middle-income countries to promote job creation and sustainable economic growth. They apply stringent investment criteria aimed at safeguarding financial sustainability, transparency, and environmental and social accountability.
- Bilateral DFIs are either independent institutions, such as the Netherlands Development Finance Company (FMO), or part of larger bilateral development banks, such as the German Investment and Development Company (DEG), which is part of the German development bank, KfW.
- Multilateral DFIs are private sector arms of International Financial Institutions (IFIs) that finance projects in support of the private sector mainly through equity investments, long-term loans and guarantees. They usually have a greater financing capacity than bilateral development banks and also act as a forum for close co-operation among governments. The main multilateral DFIs include the African Development Bank (AFDB), Asian Development Bank (ADB) and European Investment Bank (EIB), among others.



Development Financial Institutions

Global | Overview

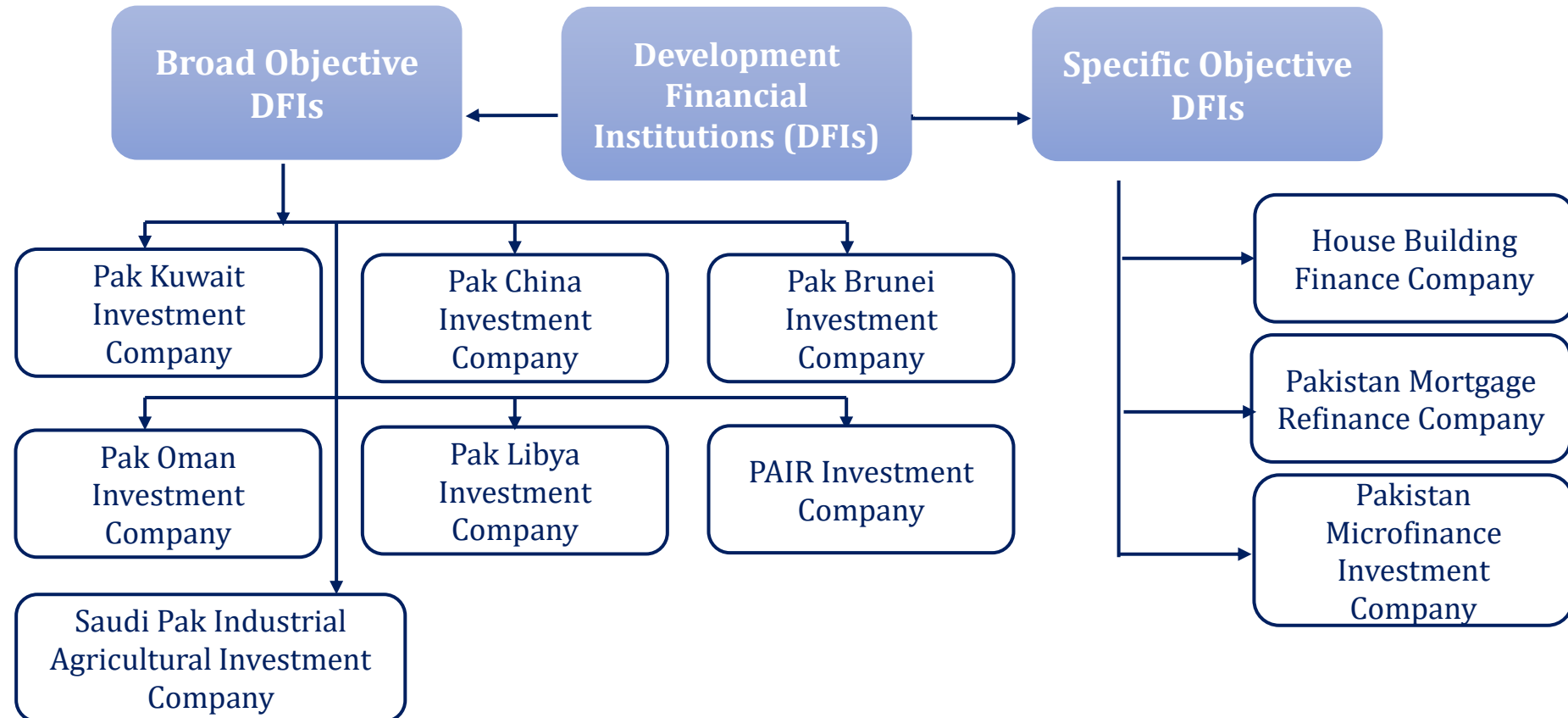
- Official Development Assistance (ODA) was established by the Development Assistance Committee (DAC) in 1969. The DAC aims to promote sustainable development, inclusive growth, and poverty reduction in developing countries. Its ultimate goal is a future where no country depends on aid. There are ~32 DAC members contributing to ODA.
- Official Development Assistance (ODA) refers to government aid to foster economic development and well-being in developing nations
- Global Official Development Assistance (ODA) was recorded at USD~212.1bln in CY24, down ~5.3% YoY (CY23: USD~224.0bln). This represents ~0.3% of the Development Assistance Committee (DAC) members combined GNI.
- Out of the total USD~212.1bln ~98.0% of the assistance was in the form of bilateral loans, multilateral grants, and capital. During the year, the U.S. was the largest ODA member providing assistance amounting to USD~66bln, (~31.0% of overall DAC members).
- Official Development Assistance (ODA) increased in ten DAC member countries, while it decreased in twenty-two. In several of these countries, the decrease was partly attributed to reduced expenditures related to hosting refugees domestically.
- The ~5.3% decline in development assistance in CY24 partly reflects reduced expenditures to support developing countries through successive and compounded crises. Recently, the U.S. suspended ~90.0% of USAID operations and ordered the dismantling of the agency's entire international workforce. Given that the U.S. contributes ~31.0% of total global assistance, the potential impact is likely to be significant.



Development Financial Institutions

Local | Overview

- There are two categories of Development Financial Institutions (DFIs) operating in Pakistan. Broad Objective DFIs and Specific Objective DFIs. Broad objective DFIs, also known as Joint Venture Financial Institutions (JVFI), 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.
- The shareholding structure of JVFI consists of ~50% ownership of the Government of Pakistan, through either the Ministry of Finance or the State Bank of Pakistan. The remaining ~50% is owned by the respective foreign governments through relevant institutions.
- Meanwhile, ownership structures of specific objective DFIs are more varied, with shareholding held by national and international financial and developmental institutions.



Development Financial Institutions

Local | Financial Position

Figures in PKR mln

Assets	CY20	CY21	CY22	CY23	CY24
Cash & Balances With Treasury Banks	3,034	2,831	2,055	2,498	3,590
Balances With Other Banks	5,613	24,230	5,580	16,147	7,202
Lending To Financial Institutions	10,228	8,534	25,419	5,136	39,688
Investments - Net	286,995	338,433	1,168,014	2,024,569	1,647,707
Advances - Net	111,173	140,443	188,075	188,208	191,059
Operating Fixed Assets & Other Assets	22,208	24,224	42,314	101,583	90,238
Total Assets	439,251	538,696	1,431,457	2,338,141	1,979,484
Liabilities					
Borrowings From Financial Institutions	260,512	348,313	1,223,015	2,117,221	1,651,600
Deposits And Other Accounts	27,444	34,039	38,116	45,053	78,442
Other Liabilities	25,635	19,946	25,160	31,638	58,667
Total Liabilities	307,570	402,298	1,286,291	2,193,912	1,788,709
Equity					
Share Capital	75,352	84,201	84,571	84,581	97,796
Reserves	19,819	22,338	24,899	28,089	32,916
Unappropriated Profit	33,735	31,989	42,345	27,030	53,232
Surplus/Deficit On Revaluation of Assets	2,776	-2,130	-6,649	4,529	6,831
Total Equity	131,681	136,398	145,165	144,229	190,775

Note: Data pertains to 07 JVFI's (covered later), House Building Finance Corporation and Pakistan Mortgage Refinance Company.

Development Financial Institutions

Local | Operating Position

Figures in PKR mln

Key Financials	CY20	CY21	CY22	CY23	CY24
Net Mark-Up/Interest Income	13,818	12,461	13,538	26,023	24,889
Net Mark-Up/Interest Income After Provision	12,054	12,822	12,033	24,736	24,325
Total Non-Markup/Interest Income	11,269	9,089	13,732	12,889	22,357
Total Income	23,323	21,911	25,765	37,625	46,682
Total Non-Markup/Interest Expenses	6,319	6,995	7,335	9,330	9,751
Profit/ (Loss) Before Taxation	17,004	14,915	18,429	28,296	36,931
Less: Taxation	3,602	3,015	4,287	8,016	9,608
Profit/ (Loss) After Taxation	13,402	11,901	14,143	20,279	27,323

- The sector's profit-after-tax (PAT) increased by ~34.7% YoY during CY24 and clocked in at PKR~27.3bln. Meanwhile, total non-markup/interest income increased by ~73.5% YoY during CY24 to PKR~22.4bln (CY23: PKR~12.9bln).
- Pak Kuwait Investment Company (PKIC) held ~77.0% share in total non-markup income as of CY24 at PKR~17.1bln, up ~88.3% YoY. This increase, in turn, resulted from ~93.0% YoY increase in dividend income.

Development Financial Institutions

Key Ratios

Key Ratios (%)	CY20	CY21	CY22	CY23	CY24
Capital Adequacy					
Total Capital to Total RWA	44.9	38.7	36.5	43.3	52.5
Tier-1 Capital to Total RWA	43.7	38.3	35.9	41.6	50.5
Asset Quality					
NPLs to Total Loans	14.5	9.51	7.3	7.4	8.0
Provision to NPLs (coverage)	74.4	84.9	87.9	114.8	78.6
Profitability					
ROA after Tax	2.7	2.4	1.6	0.9	1.2
ROE after Tax	7.2	8.9	10.1	13.3	17.1
Net Interest Income to Gross Income	63.9	57.8	49.6	66.9	52.7
Operating Expense to Gross Income	32.4	32.5	26.9	24	20.6
Liquid Assets/ Total Assets	54.9	54.8	77.9	85.5	82.9
Liquid Assets/ Short-term Liabilities	97.6	98	98.2	95.9	110.1

Note: Data pertains to 07 JVFIs (covered later), House Building Finance Corporation and Pakistan Mortgage Refinance Company.

Development Financial Institutions

JVFI | Assets

- The asset base of JVFI's shrank by ~39.3% YoY in CY24 and stood at PKR~1,353bln. The decline in total assets is largely attributable to the decline in investments (~43.2%), which constituted ~81.1% of JVFI's asset base as of End-Dec'24 (SPY: ~82.5%). Total assets also registered a decline of ~44.7% YoY during standing at PKR~1,037bln.
- During CY24, Pak Kuwait Investment Company (PKIC) had the largest contribution to total assets of JVFI's, clocking in at PKR~553.3bln, a share of ~41.0% (SPY: ~48.6%). However, its total assets base fell by ~48.9% during CY24.

Sr.	JVFI	Total Assets (PKR mln)							Growth (%)				
		CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25	CY20	CY21	CY22	CY23	CY24
1	Pak Kuwait	106,826	135,034	798,096	1,083,672	553,341	1,162,735	433,472	62.0%	26.0%	491.0%	43.0%	-48.9%
2	Pak Oman	96,806	128,260	157,700	367,003	387,117	390,766	344,171	5.0%	32.0%	23.0%	133.0%	5.5%
3	Pak Brunei	40,253	51,450	79,938	188,070	201,999	222,333	165,364	-30.0%	28.0%	55.0%	135.0%	7.4%
4	Saudi Pak	48,236	44,688	53,607	56,137	170,625	60,727	48,234	30.0%	-7.0%	20.0%	5.0%	203.9%
5	Pak Libya	37,010	40,621	124,691	446,084	N.A.	356,245	N.A.	27.0%	10.0%	207.0%	258.0%	-
6	Pak China	31,409	34,723	94,215	N.A.	N.A.	N.A.	N.A.	-6.0%	11.0%	171.3%	-	-
7	PAIR	21,290	25,014	32,741	34,442	40,436	39,027	45,530	-1.0%	17.0%	31.0%	5.0%	17.4%
Total		381,830	459,790	1,246,773	2,231,186	1,353,518	1,875,588	1,036,771	13.4%	20.4%	171.1%	79.0%	-39.3%

Development Financial Institutions

Assets | Investments

- Sector's overall investments registered ~43.2% decline YoY in CY24 and stood at PKR~1,145bln. In 1QCY25, total investments remained subdued and were recorded at PKR~846.0bln, down ~43.2% YoY, on the back of low investments in government securities. During the year, PKIC comprised ~39.5% of total JVFI investments (SPLY: ~ 51.8%), recording at PKR~452.0bln in CY24 (down ~56.8% YoY).
- PKIC's investments were down due to a decline in investments in government securities due to a sharp decrease in policy rate, which was down to ~13.0% as of End-Dec'25 and ~11.0% as of End-May'25 (End-Jun'24: ~20.5%).

Sr.	JVFI	Investments (PKR mln)							YoY Growth (Player-wise & Total)				
		CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25	CY20	CY21	CY22	CY23	CY24
1	Pak Kuwait	90,459	103,845	724,288	1,045,809	451,725	1,067,317	352,872	60.6%	14.8%	597.5%	44.5%	-56.8%
2	Pak Oman	67,769	101,788	125,711	335,736	353,409	357,696	307,595	14.1%	50.2%	23.5%	166.7%	5.3%
3	Pak Brunei	17,483	26,247	44,805	158,671	168,748	189,674	130,927	-45.1%	50.0%	71.0%	253.3%	6.4%
4	Saudi Pak	35,557	31,131	36,321	35,337	145,018	42,875	24,576	48.7%	-12.4%	16.7%	-2.7%	310.4%
5	Pak Libya	24,913	27,212	106,687	418,576	-	-	-	31.0%	9.2%	292.1%	291.5%	-
6	Pak China	15,658	18,032	-	-	-	-	-	-18.1%	15.2%	-	-	-
7	PAIR	13,652	16,975	21,089	22,651	25,923	23,878	29,670	-6.9%	24.3%	24.0%	7.0%	14.4%
Total		265,491	325,230	1,058,901	2,016,700	1,144,823	1,681,440	845,640	18.3%	22.5%	225.6%	90.5%	-43.2%

Development Financial Institutions

JVFI | Share in Total Investments

- The average share of investments in the total asset base clocked in at ~81.1% in CY24, up from ~73.3% in CY23. In CY24, PKIC's Investment-to-Total Assets ratio clocked in at ~81.6% down from ~91.8%, while that for PAIR remained low and clocked in at ~64.1% (CY23: ~65.7%).
- In 1QFY25, the average share of investments in the total asset base decreased to ~73.2% during 1QCY25 (1QCY24: ~80.2%).

Investments/ Total Assets								
Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25
1	Pak Kuwait	84.7%	76.9%	90.8%	91.8%	81.6%	91.8%	81.4%
2	Pak Oman	70.0%	79.4%	79.7%	91.4%	91.3%	91.5%	89.4%
3	Pak Brunei	43.4%	21.0%	56.0%	84.3%	83.5%	85.3%	79.2%
4	Saudi Pak	73.7%	69.7%	67.8%	63.0%	85.0%	70.6%	51.0%
5	Pak Libya	67.3%	67.0%	85.6%	93.8%	-	-	-
6	Pak China	49.9%	51.9%	-	-	-	-	-
7	PAIR	64.1%	67.9%	64.4%	65.7%	64.1%	61.1%	65.2%
Average		64.7%	62.0%	74.2%	73.3%	81.1%	80.2%	73.2%

Development Financial Institutions

JVFI | Advances

- Total advances of JVFI also experienced a decline of ~8.9% YoY in CY24, recording at PKR~110bln. However, during 1QCY25, advances rose by ~2.5% YoY to clock in at PKR~112bln (1QCY24: PKR~109bln).
- During CY24, the largest share of advances was held by PKIC of PKR~51bln, equivalent to ~46.2% of total JVFI advances.

Sr.	JVFI	Advances (PKR mln)							System Share				
		CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25	CY20	CY21	CY22	CY23	CY24
1	Pak Kuwait	14,257	27,359	49,598	53,845	51,271	54,505	52,572	16.9%	27.3%	40.0%	44.2%	46.3%
2	Pak Oman	20,935	19,720	19,421	16,180	15,015	14,095	14,624	24.8%	19.7%	15.7%	13.3%	13.5%
3	Pak Brunei	19,133	20,300	24,208	19,610	21,141	17,634	20,420	22.6%	20.0%	19.5%	16.1%	19.1%
4	Saudi Pak	6,811	6,868	11,475	11,472	12,724	11,659	13,383	8.1%	6.9%	9.3%	9.4%	11.5%
5	Pak Libya	5,674	6,312	9,743	9,985	-	-	-	6.7%	6.3%	7.9%	82.0%	0.0%
6	Pak China	11,550	13,113	-	-	-	-	-	13.7%	13.1%	-	-	0.0%
7	PAIR	6,165	6,517	9,442	10,651	10,700	11,562	11,247	7.3%	6.5%	7.6%	8.7%	9.7%
Total/ Growth		84,525	100,189	123,887	121,743	110,851	109,455	112,246	16.6%	18.5%	23.7%	-1.7%	-8.9%

Development Financial Institutions

JVFI | Credit Quality (Infection Ratio)

- Th average NPLs-to-Gross Advances ratio for CY24 remained the same at ~12.7% (CY23: ~12.8%) and was recorded at ~12.8% during 1QCY25.
- Pak Oman's infection ratio increased the most during CY24 clocking in at ~19.6% compared to ~13.0% in CY23. In 1QCY25, it rose to ~20.5% compared to ~14.0% in 1QCY24.

NPLs/ Gross Advances								
Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25
1	Pak Kuwait	6.7%	3.7%	2.0%	1.0%	1.7%	1.0%	1.7%
2	Pak Oman	7.1%	9.4%	11.0%	13.0%	19.6%	14.0%	20.5%
3	Pak Brunei	5.0%	5.0%	3.6%	5.0%	5.1%	6.0%	5.3%
4	Saudi Pak	41.7%	26.2%	30.5%	22.0%	18.8%	31.0%	18.0%
5	Pak Libya	21.2%	16.2%	12.3%	17.0%	-	-	-
6	Pak China	13.6%	-	-	-	-	-	-
7	PAIR	36.9%	24.8%	18.1%	19.0%	18.4%	15.0%	18.7%
Average		18.9%	14.2%	12.9%	12.8%	12.7%	13.4%	12.8%

Development Financial Institutions

JVFI | Borrowings

Borrowings (PKR mln)								
Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25
1	Pak Kuwait	62,153	81,209	727,243	1,026,530	456,003	1,048,285	349,625
2	Pak Oman	70,552	103,997	132,901	340,891	349,588	360,812	309,253
3	Pak Brunei	27,763	40,285	68,320	174,594	184,383	207,768	145,575
4	Saudi Pak	32,320	26,457	36,775	37,199	145,684	41,691	25,521
5	Pak Libya	26,392	30,149	113,480	424,392	-	-	-
6	Pak China	12,903	16,062	-	-	-	-	-
7	PAIR	10,223	13,658	20,336	21,789	23,799	23,655	28,253
Total		242,306	311,817	1,099,055	2,025,395	1,159,457	1,682,211	858,227
Growth YoY		10.4%	28.7%	252.5%	84.2%	-42.8%	21.3%	-49.0%

- The sector's funding mix is largely tilted towards borrowings from financial institutions. JFVI's borrowings were on a downward trend and reached PKR~1,159bln during CY24, down ~42.8% YoY. During 1QCY25, there was a further decline in borrowings (~49.0% YoY), where these clocked in at PKR~858bln.
- The largest share in JVFI's total borrowing in CY24 was of PKIC with PKR~456bln, equivalent to ~39.3% (CY23: ~50.7%), while Pak Oman's share in the segment's total borrowings was recorded at ~30.2% in CY24 (SPLY: ~16.8%).

Development Financial Institutions

JVFI | Deposits

Deposits (PKR mln)									Share of Deposits (%)				
Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25	CY20	CY21	CY22	CY23	CY24
1	Pak Kuwait	2,820	6,265	13,685	19,271	39,006	24,395	22,098	10.3%	21.4%	37.4%	43.1%	59.0%
2	Pak Oman	15,869	14,354	13,521	12,218	16,164	17,369	12,420	57.8%	49.0%	36.9%	27.3%	24.4%
3	Pak Brunei	830	50	55	-	1,166	-	989	3.0%	0.2%	0.2%	-	1.8%
4	Saudi Pak	2,446	2,912	1,953	3,665	5,297	3,965	4,226	8.9%	9.9%	5.3%	8.2%	8.0%
5	Pak Libya	4,043	4,576	5,627	6,804	-	-	-	14.7%	15.6%	15.4%	15.2%	-
6	Pak China	512	0	-	-	-	-	-	1.9%	-	-	-	-
7	PAIR	924	1,132	1,772	2,724	4,501	3,691	4,863	3.4%	3.9%	5.0%	6.0%	6.8%
Total/Growth YoY		27,444	29,289	36,613	44,682	66,134	49,420	44,596	128.1%	6.7%	25.0%	22.0%	48.0%

- The sector’s deposit mobilization grew by ~48.0% YoY in CY24. However, in 1QCY25, a decline of ~9.7% was observed on YoY basis where total deposits recorded at PKR~45bln (SPLY: PKR~49bln).
- Pak Kuwait and Pak Oman recorded the largest deposit portfolio among JVFI and accounted for ~83.4% of the segment’s total deposits in CY24 (SPLY: ~70.5%).

Development Financial Institutions

JVFI | Equity

Equity (PKR mln)								
Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25
1	Pak Kuwait	37,717	42,184	49,941	34,293	46,735	30,107	49,502
2	Pak Oman	9,083	8,756	8,700	8,739	10,072	7,208	10,672
3	Pak Brunei	10,733	10,232	10,003	10,839	12,658	10,558	12,762
4	Saudi Pak	12,912	14,459	14,044	14,179	16,235	14,294	16,491
5	Pak Libya	5,963	5,575	4,111	7,716	7,361	-	-
6	Pak China	17,482	18,172	-	-	-	-	-
7	PAIR	9,662	9,655	9,773	10,581	10,883	10,424	10,708
Total		103,553	109,033	96,572	72,168	103,944	72,591	100,135
Growth YoY		6.9%	5.3%	-11.4%	-25.3%	44.0%	22.5%	-15.0%

- The sector's equity base (excluding Pak China) clocked in at PKR~97bln in CY24 (CY23: PKR~129.5bln). Among the segment players, PKIC has the largest equity share (~48.0%), amounting to PKR~47bln in CY24 (CY23: PKR~34bln).

Development Financial Institutions

JVFI | Capital Adequacy

Capital Adequacy Ratio									Equity / Total Assets								
Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25	Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25
1	Pak Kuwait	34.0%	24.5%	19.7%	12.5%	41.3%	26.3%	45.1%	1	Pak Kuwait	35.0%	31.0%	6.0%	7.0%	8.4%	6.0%	11.4%
2	Pak Oman	17.2%	16.5%	21.9%	15.5%	33.5%	15.6%	37.2%	2	Pak Oman	9.0%	7.0%	6.0%	2.0%	2.6%	2.0%	3.1%
3	Pak Brunei	26.6%	29.4%	23.0%	26.6%	28.5%	22.3%	28.0%	3	Pak Brunei	27.0%	20%	13.0%	6.0%	6.3%	5.0%	7.7%
4	Saudi Pak	38.3%	47.2%	42.9%	41.8%	40.0%	41.2%	49.0%	4	Saudi Pak	27.0%	32.0%	26.0%	25.0%	9.5%	24.0%	34.2%
5	Pak Libya	24.7%	24.0%	16.7%	34.9%	-	-	-	5	Pak Libya	16.0%	14.0%	3.0%	2.0%	-	-	-
6	Pak China	70.7%	70.1%	-	-	-	-	-	6	Pak China	56.0%	52.0%	-	-	-	-	-
7	PAIR	55.8%	49.5%	33.5%	36.6%	45.3%	34.2%	39.7%	7	PAIR	45.0%	39.0%	30.0%	32.0%	26.9%	27.0%	23.5%
Average		38.2%	37.3%	26.2%	27.9%	37.7%	31.0%	39.8%	Average		30.7%	27.8%	14.0%	12.3%	10.7%	12.8%	16.0%

- The Capital Adequacy Ratio of JVFI was recorded at ~37.7% in CY24, up from ~27.9% in CY23. In 1QCY25, CAR improved further and was clocked in at ~39.8% (SPLY: ~31.0%). CAR across all segment players remains well above the minimum requirement of ~11.5% by the State Bank of Pakistan. Notably, PKIC and Saudi Pak maintained a relatively higher CAR compared to the segment's average CAR.
- The equity-to-total assets ratio has decreased from ~30.7% in CY20 to ~10.7% in CY24. In 1QCY25, the equity-to-total assets ratio improved to ~16.0% compared to ~12.8% in the same period last year.

Development Financial Institutions

JVFI | Profitability

Profit Before Tax (PKR mln)									Profit After Tax (PKR mln)								
Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25	Sr.	JVFI	CY20	CY21	CY22	CY23	CY24	1QCY24	1QCY25
1	Pak Kuwait	7,818	9,508	13,995	31,467	16,982	3,304	7,308	1	Pak Kuwait	6,344	7,882	11,030	20,296	12,446	2,571	4,866
2	Pak Oman	1,337	651	501	941	871	25	1,188	2	Pak Oman	972	478	334	705	557	22	716
3	Pak Brunei	1,033	704	744	1,210	689	196	710	3	Pak Brunei	718	481	503	847	611	139	602
4	Saudi Pak	809	1,341	394	558	1,363	101	550	4	Saudi Pak	616	922	311	508	920	149	320
6	Pak Libya	460	42	-218	561	-	-	-	5	Pak Libya	304	41	-307	330	-	-	-
5	Pak China	1,166	1,414	-	-	-	-	-	6	Pak China	773	919	-	-	-	-	-
7	PAIR	506	254	654	1,106	327	534	152	7	PAIR	387	194	446	769	400	331	84
Total		13,129	13,914	16,070	35,843	20,232	4,160	9,908	Total		10,114	14,964	12,317	23,455	14,934	3,212	6,588
Growth YoY		54.5%	5.9%	15.4%	123.0%	-43.6%	-32.1%	138.2%	Growth YoY		53.7%	47.9%	17.6%	90.4%	-36.3%	-31.4%	105.1%

- The Profit Before Tax (PBT) decreased by ~43.6% YoY from PKR~36bln in CY23 to PKR~20bln in CY24. Meanwhile, the Profit After Tax (PAT) also decreased by ~36.3% YoY from PKR~23bln in CY23 to PKR~15bln in CY24. The average Return on Assets (ROA) of JVFI in CY24 increased to ~1.2% (CY23: ~0.9%). Meanwhile, the average Return on Equity (ROE) exhibited an increasing trend, clocking in at ~17.1% (CY23: ~13.3%).
- In 1QCY25, overall PBT for JVFI increased by ~138.2% while PAT rose ~105.1% YoY, mainly on account of improvement in PKIC's net mark-up income, while Pak Oman interest expense declined by ~48.0% during the period.

Development Financial Institutions

Pakistan Microfinance Investment Company

Figures in PKR mln

Financial Position						
	CY20	CY21	CY22	CY23	9MCY23	9MCY24
Total Investments	1,617	1,652	11,266	1,779	21,628	8,847
Financing - Net	22,365	26,984	28,621	29,634	29,292	32,682
Cash & Bank Balances	212	2,019	1,545	1,115	1,098	1,511
Total Assets	24,194	30,655	41,432	32,528	52,018	43,040
Loans & Borrowings	20,002	23,416	33,601	24,947	44,575	35,534
Subordinated Loans	582	419	1,085	1,439	-	1,280
Equity	6,796	7,273	7,915	8,805	8,650	9,455
Total Equity & Liabilities	27,380	31,108	42,601	35,191	53,225	46,269
Performance Indicators						
	CY20	CY21	CY22	CY23	9MCY23	9MCY24
Revenue	3,256	2,793	4,898	8,447	6,243	5,759
Profit before Tax	581	669	958	1,447	1,142	1,040
Profit after Tax	403	477	633	895	717	652

- Pakistan Microfinance Investment Company Limited (PMIC), incorporated in August 2016, is licensed to carry out Investment Finance activities as a Non-Banking Financial Company (NBFCs) under NBFC Rules 2003 and NBFC Regulations 2008
- During 9MCY24, PMIC's profitability (PBT) decreased by ~9.0% and was recorded at PKR~1,040mln, compared to 9MCY23, whereas Profit-after-Tax also decreased by ~9.0% during the same period and clocked in at PKR~652mln.
- Total assets of PMIC registered a decline of ~17.3% YoY, whereas Net Financing increased by ~11.6% during the same period.

Development Financial Institutions

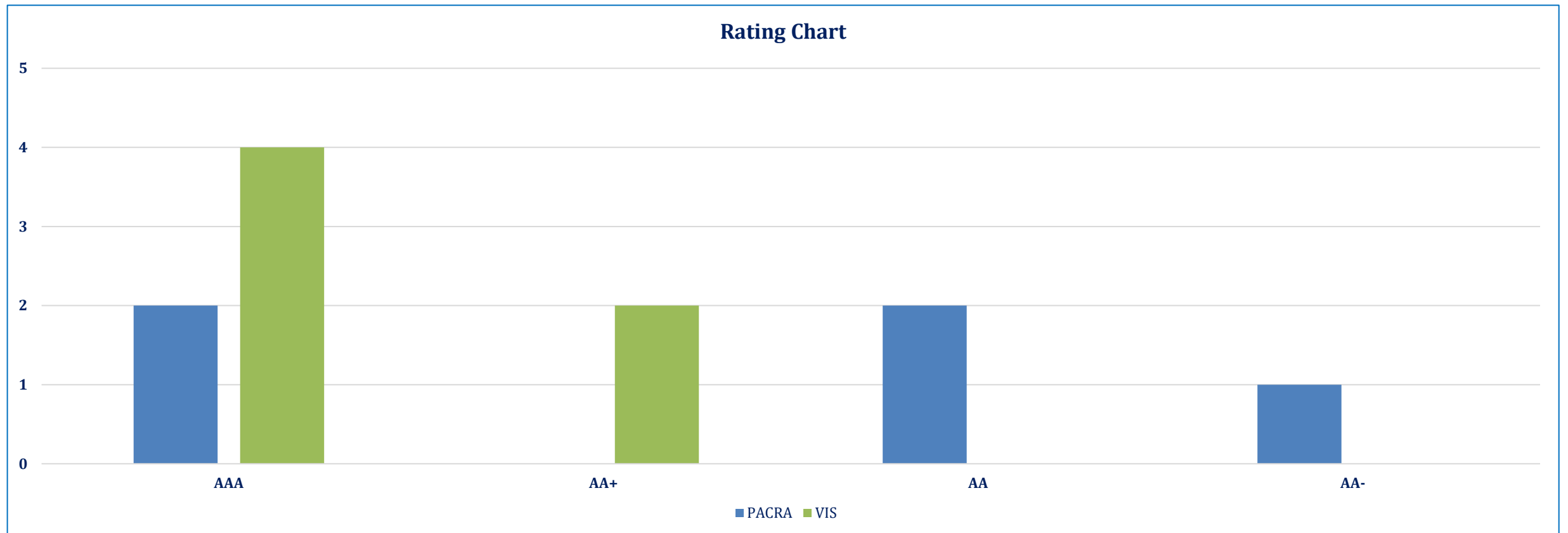
Regulatory Framework

- The Development Financial Institutions (DFIs) operating in Pakistan are regulated by the State Bank of Pakistan (SBP) and are notified under section 3A of the Banking Companies Ordinance, 1962, which specifies the provisions and sections of the Ordinance that apply to DFIs.
- Furthermore, Sections 6, 13, 25, 25A, 25AA, 29, 31, 32, 33, 40, 41, 41A, 41B, 41C, 41D, 42, 47, 48, 49, 51, 58, 83, 84, and 94 will apply to DFIs, subject to adjustments by the State Bank as necessary for activities impacting its monetary or credit policies. In addition, DFIs are also required to comply with SBP's Prudential Regulations, which guide risk management, corporate governance and operations of financial institutions.
- As per SBP regulations, the Minimum Capital Requirement (MCR) for DFIs is PKR~6.0bln. Moreover, DFIs are required to maintain a Capital Adequacy Ratio (CAR) of ~11.5% (as of End-Dec'24).
- In Oct'20, SBP issued guidelines for DFIs to undertake Shariah-compliant businesses and operations, as a part of its effort to expand the scope of Shariah-compliant financial services in the country. Those DFIs who wish to commence Shariah-compliant business and operations will be required to apply to the State Bank for the issuance of a license and grant of permission, respectively, under these guidelines.
- These guidelines cover various areas, including minimum capital adequacy, requirements related to sponsor directors, business plan, Shariah governance, application fees, and preconditions for commencement of business.
- The implementation date of IFRS 9 – Financial Instruments for all the Development Finance Institutions (DFIs) is w.e.f. from January 01, 2024.

Development Financial Institutions

Rating Curve

- PACRA provides entity ratings to five DFIs, falling in the bandwidth of AA- to AAA.



Development Financial Institutions

Outlook : Stable

- In FY24, Pakistan's GDP (nominal) stood at PKR~105.6trn, increasing, in real terms, by ~2.5% YoY (FY23: ~-0.2% YoY). Industrial activities during the year held ~21.3% share in the GDP, while services made up ~53.7%. In 9MFY25, GDP (nominal) stood at PKR~83.2trn, rising in real terms by ~2.4% YoY, while GDP growth projection for FY25 is recorded at ~2.7% YoY. In 9MFY25, the agriculture sector grew by ~1.2%, the services sector by ~4.0%, while the industrial sector growth continued to remain negative, clocking at ~-1.1%.
- The asset base of JVFI's fell by ~39.3% in CY24 and stood at PKR~40,436mln. The decline in total assets is largely attributable to a decrease in investments, which constituted ~81.1% of JVFI's asset base as of End-Dec'24 (End-Dec'23: ~82.5%). During the year, Pak Kuwait Investment Company (PKIC) had the largest contribution to total assets of ~41.0%. JVFI's total asset base fell further by ~23.3% in 1QCY25, compared against End-Dec'24 and ~45.0% YoY.
- The segment's investments registered a decline of ~43.2% in CY24 to record at PKR~1,144bln. During the year, the largest share of investments was held by PKIC, equivalent to ~39.5% of the total JVFI's investments, while it held ~41.7% share in 1QCY25. Investments were down due to a decline in investments in government securities, due, in turn, to a sharp decline in policy rate, which was reduced by the SBP to ~13.0% as of End-Dec'25 and further to ~11.0% as of End-May'25 (End Jun'24: ~20.5%).
- The sector's funding mix is largely tilted towards borrowings from financial institutions. Sector's borrowings decreased by ~22.0% YoY and reached PKR~1,652bln during CY24, while JVFI's borrowings decreased by ~43.0%, clocking in at PKR~1,159bln. In 1QCY25, JVFI's total borrowings were further down by ~49.0% when compared with End-Dec'24 and stood at PKR~858bln.
- In CY24, the largest share in JVFI's total borrowing was recorded by PKIC, equivalent to ~39.0% (CY23: ~51.0%), while Pak Oman's share was recorded at ~30.2% (SPLY: ~16.8%). JVFI's total profit before tax was down ~43.6% YoY, while profit after tax declined by ~36.3% YoY. However, in 1QCY25, profit before tax and profit after tax of the sector grew by ~138.0% and ~105.0% YoY, respectively, on the back of reduced interest expense and overall improved net-markup income.
- The average return on assets for JVFI's in CY24 marginally increased to ~1.2% (CY23: ~0.9%) while the average return on equity also improved, clocking in at ~17.1% (CY23: ~13.3%). Going forward, given the stable economic outlook and continuing low interest rates, the growth trajectory of sector players remains subject to scrutiny.

Development Financial Institutions

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- Pakistan Bureau of Statistics (PBS)
- PACRA Database
- JVFI's Financial Statements
- Organization for Economic Co-operation and Development (OECD)

Research Team	Ayesha Wajih <i>Assistant Manager Research</i> ayesha.wajih@pacra.com	Muhammad Shahryar Butt <i>Associate Research Analyst</i> Shahryar.butt@pacra.com
Contact Number: +92 42 35869504		

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