



Development Financial Institutions

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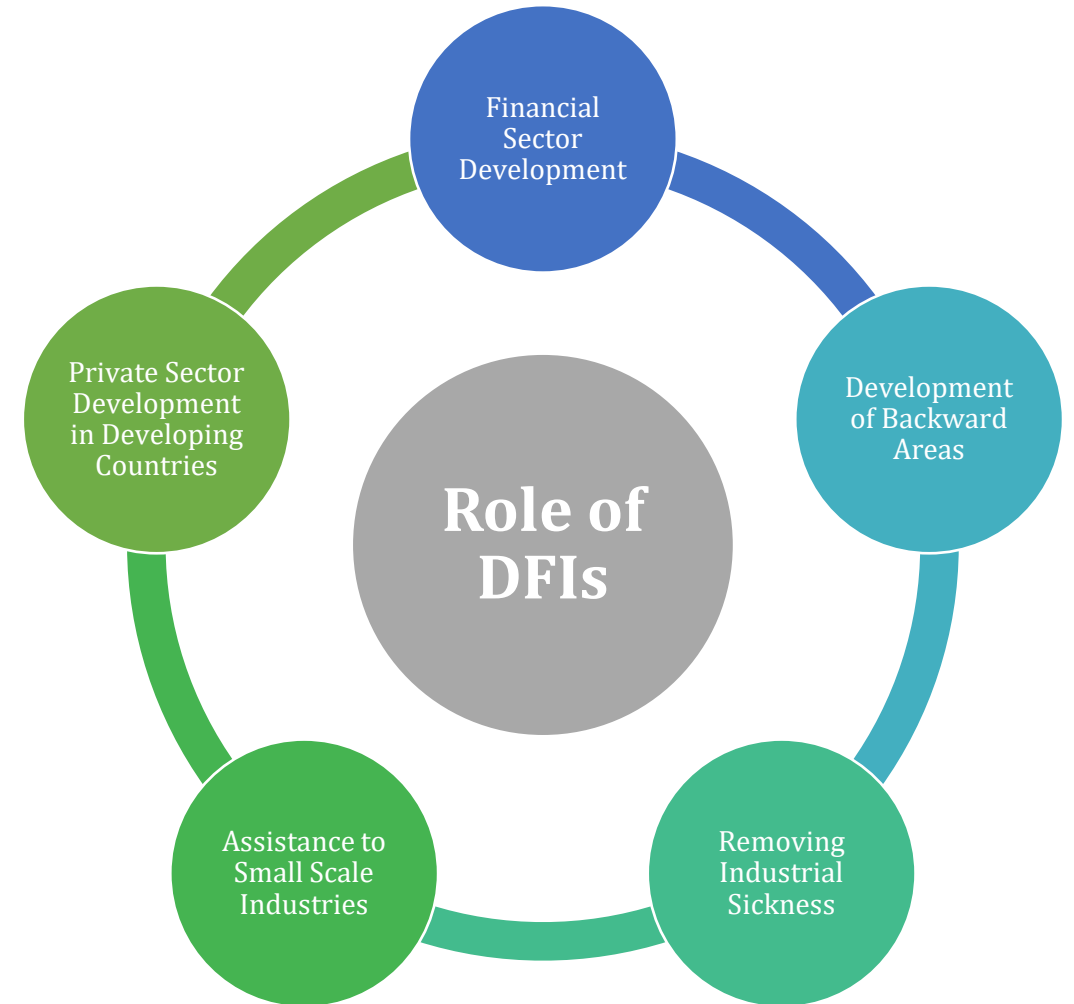
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Development Financial Institutions

Introduction

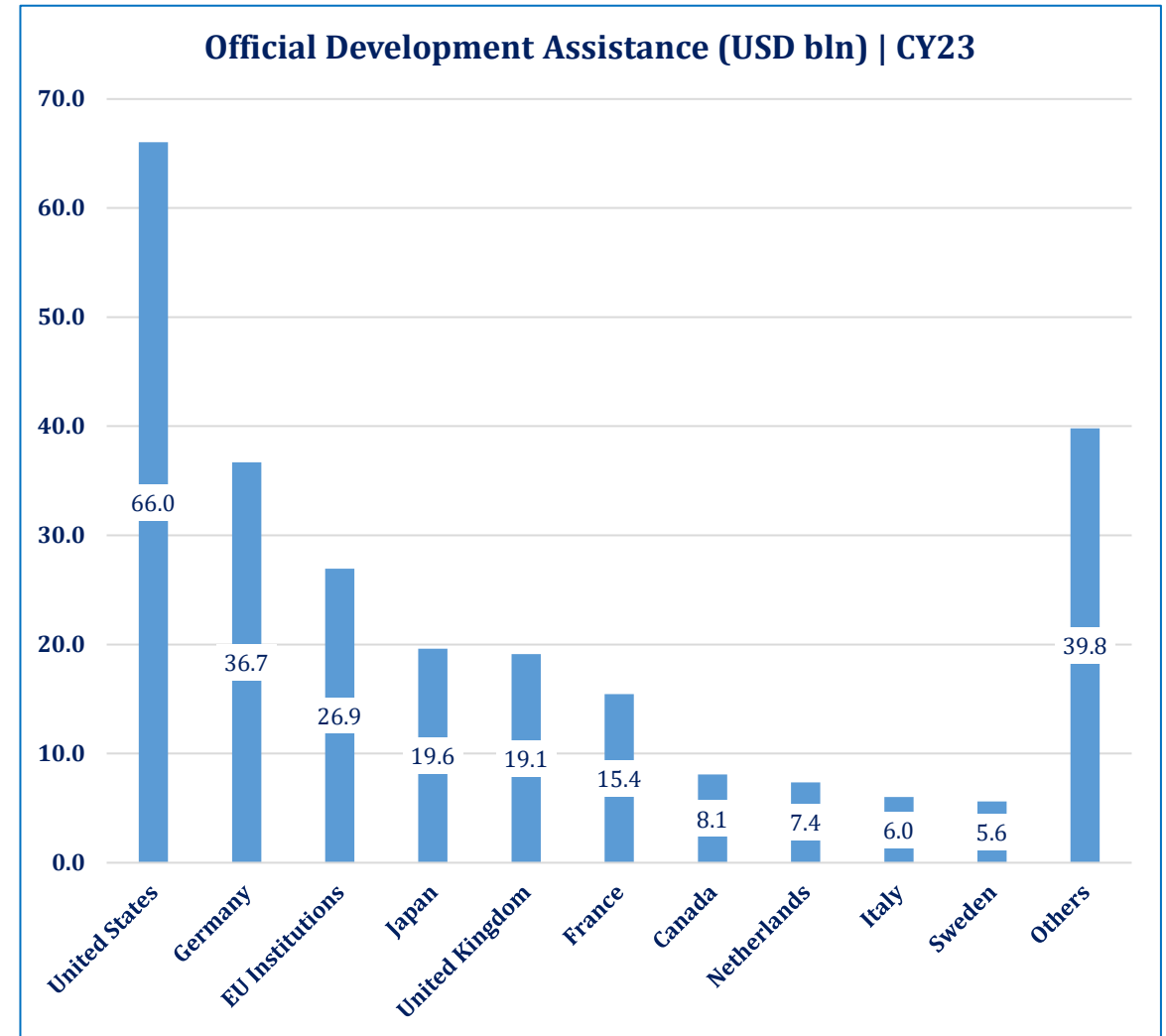
- Development Finance Institutions (DFIs) are specialised development banks or subsidiaries set up to support private sector development in developing countries. They are usually majority-owned by national governments and source their capital from national and/or international development funds or benefit from government guarantees. This ensures their credit worthiness, 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. They are both among the largest DFIs worldwide.
- 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 African Development Bank (AFDB), Asian Development Bank (ADB) and European Investment Bank (EIB), among others.



Development Financial Institutions

Global | Overview

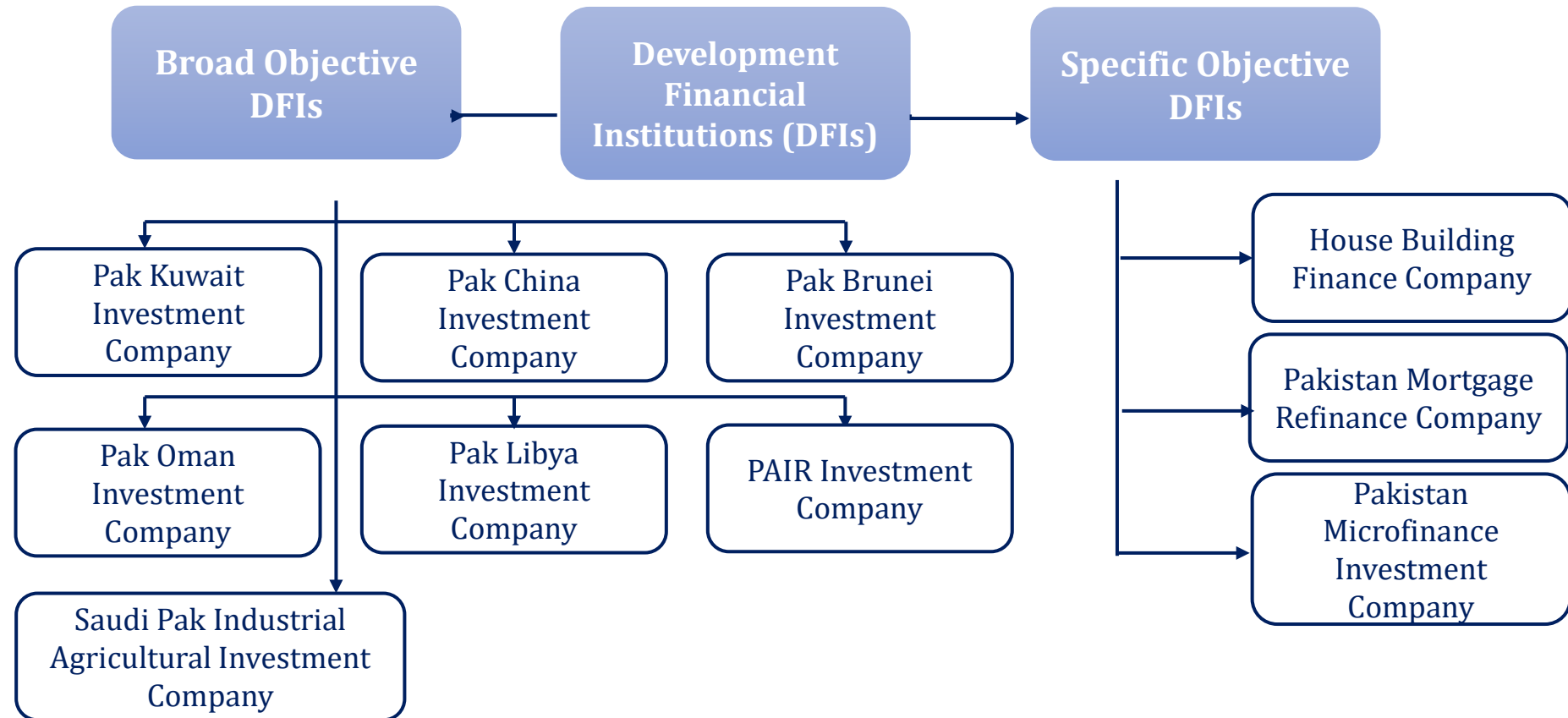
- Official Development Assistance (ODA) refers to government aid aimed at fostering economic development and well-being in developing nations. It was established by the Development Assistance Committee (DAC) in 1969.
- Official Development Assistance (ODA) touched the USD~224bln mark in CY23, up ~9.8% YoY (CY22: USD~204bln).
- Out of the total, USD~201.4bln, or ~90.0% was allotted for grants, loans to sovereign entities, debt relief, and contributions to multilateral institutions.
- Meanwhile, USD~0.8bln, or ~0.4% was directed towards development-focused private sector instrument (PSI) vehicles, whereas USD~1.7bln was allocated for net loans and equities to private enterprises operating in ODA-eligible nations.
- The rise in spending on processing and hosting refugees within donor countries amounted to USD~31.0bln, or ~13.8% of total ODA (CY22: USD~29.3bln, or ~14.7%).
- During CY23, the ODA of 21 Development Assistance Committee (DAC) countries that are EU members fell by ~7.7% YoY and was recorded at USD~92.9bln, representing ~0.5% of their combined gross national income (GNI).
- Meanwhile, ODA rose in 14 DAC countries during the same period, predominantly driven by growing humanitarian aid demand in two conflict-affected regions—Ukraine and Gaza—where aid increased by ~9.0% and ~12.0%, respectively.



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 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.
- The shareholding structure of JVFI consists of 50% ownership of the Government of Pakistan, through either the Ministry of Finance or State Bank of Pakistan. The remaining 50% is owned by the respective foreign governments through relevant institutions.
- Meanwhile, ownership structures of specific objective DFIs is more varied with shareholding held by national and international financial and developmental institutions.



Development Financial Institutions

Local | Financial Position

Figures in PKR mln

Assets	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
Cash & Balances With Treasury Banks	3,721	3,034	2,831	2,055	2,498	1,990	2,688
Balances With Other Banks	5,998	5,613	24,230	5,580	16,147	7,964	6,702
Lending To Financial Institutions	16,881	10,228	8,534	25,419	5,136	27,704	11,294
Investments - Net	240,205	286,995	338,433	1,168,014	2,024,569	1,405,327	2,015,476
Advances - Net	91,907	111,173	140,443	188,075	188,208	186,915	183,115
Operating Fixed Assets & Other Assets	18,342	22,208	24,224	42,314	101,583	8,928	9,096
Total Assets	377,054	439,251	538,696	1,431,457	2,338,141	1,688,138	2,342,704
Liabilities							
Borrowings From Financial Institution	228,989	260,512	348,313	1,223,015	2,117,221	1,477,866	2,112,689
Deposits And Other Accounts	12,033	27,444	34,039	38,116	45,053	33,357	58,770
Other Liabilities	24,732	25,635	19,946	25,160	31,638	28,627	33,332
Total Liabilities	260,023	307,570	402,298	1,286,291	2,193,912	1,539,850	2,204,791
Equity							
Share Capital	73,622	75,352	84,201	84,571	84,581	84,571	84,581
Reserves	17,592	19,819	22,338	24,899	28,089	27,330	28,931
Unappropriated Profit	22,997	33,735	31,989	42,345	27,030	44,387	27,396
Surplus/Deficit On Revaluation Of Assets	2,820	2,776	-2,130	-6,649	4,529	-8,000	-2,994
Total Equity	117,031	131,681	136,398	145,165	144,229	148,288	137,914

Note: Includes all DFIs: JVFI and Special Purpose Entities.

Source: SBP

Development Financial Institutions

Local | Operating Position

Figures in PKR mln

Key Financials	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
Net Mark-Up/Interest Income	10,567	13,818	12,461	13,538	26,023	4,267	-611
Net Mark-Up/Interest Income After Provision	9,198	12,054	12,822	12,033	24,736	4,384	-538
Total Non-Markup/Interest Income	5,960	11,269	9,089	13,732	12,889	2,988	5,769
Total Income	15,157	23,323	21,911	25,765	37,625	7,372	5,231
Total Non-Markup/Interest Expenses	5,351	6,319	6,995	7,335	9,330	2,010	1,957
Profit/ (Loss) Before Taxation	9,806	17,004	14,915	18,429	28,296	5,363	3,274
Less: Taxation	1,953	3,602	3,015	4,287	8,016	1,325	824
Profit/ (Loss) After Taxation	7,854	13,402	11,901	14,143	20,279	4,038	2,450

- The sector's profit-after-tax (PAT) increased by ~43.4% YoY during CY23 and clocked in at PKR~20.3bln. Meanwhile, total non-markup/interest income declined by ~6.1% YoY during CY23 (CY22: increase of ~51.1%).
- However, the sector's profit before tax (PBT) and profit after tax (PAT) both declined by ~39.0% during 1QCY24.

Development Financial Institutions

Key Ratios

Key Ratios	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
Capital Adequacy							
Total Capital to Total RWA	47.0	44.9	38.7	36.5	43.3	34.8	38.5
Tier 1 Capital to Total RWA	46.3	43.7	38.3	35.9	41.6	34.2	37.9
Asset Quality							
NPLs to Total Loans	15.8	14.5	9.51	7.3	7.4	7.4	7.6
Provision to NPLs (Coverage)	70.3	74.4	84.9	87.9	114.8	91.1	113.3
Profitability							
ROA after Tax	2.2	2.7	2.4	1.6	0.9	1.0	0.4
ROE after Tax	4.9	7.2	8.9	10.1	13.3	11.0	6.9
Net Interest Income to Gross Income	60.3	63.9	57.8	49.6	66.9	58.8	-11.9
Operating Expense to Gross Income	40.1	32.4	32.5	26.9	24.0	27.7	37.9
Liquidity							
Liquid Assets/Total Assets	38.1	54.9	54.8	77.9	85.5	80.4	84.5
Liquid Assets/Short-term Liabilities	86.9	97.6	98.0	98.2	95.9	97.1	94.3

Note: Includes all DFIS: JVFI and Special Purpose Entities.

Development Financial Institutions

JVFI | Assets

- The asset base of JVFI grew by ~79.0% YoY in CY23 and stood at PKR~2,231bln. The growth in total assets is largely attributable to increase in investments (~73.3%) which constituted ~86.6% of JVFI asset base as of End-Dec'23 (End-Dec'22: ~81.6%). Total assets registered a growth of ~63.3% YoY during CY23 whereas these grew by ~38.8% YoY during 1QCY24.
- During CY23, Pak Kuwait Investment Company (PKIC) had the largest contribution to total assets of JVFI clocking in at PKR~1,139bln, a share of ~51.1% (SPLY: ~64.0%). The share for PKIC increased during 1QCY24 recorded at ~62.0% (SPLY: ~62.0%).

Sr.	JVFI	Total Assets (PKR mln)							Growth (%)			
		CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24	CY20	CY21	CY22	CY23
1	Pak Kuwait	65,781	106,826	135,034	798,096	1,139,450	949,277	1,162,735	62%	26%	491%	43%
2	Pak Oman	92,083	96,806	128,260	157,700	367,003	169,468	390,766	5%	32%	23%	133%
3	Pak Brunei	57,773	40,253	51,450	79,938	188,070	111,284	222,333	-30%	28%	55%	135%
4	Saudi Pak	37,085	48,236	44,688	53,607	56,137	55,305	60,727	30%	-7%	20%	5%
5	Pak Libya	29,089	37,010	40,621	124,691	446,084	213,242	N.A.	27%	10%	207%	258%
6	Pak China	33,403	31,409	34,723	N.A.	N.A.	N.A.	N.A.	-6%	11%	-	-
7	PAIR	21,475	21,290	25,014	32,741	34,442	33,709	39,027	-1%	17%	31%	5%
	Total	336,689	381,830	459,790	1,246,773	2,231,186	1,532,199	1,875,588	13.4%	20.4%	171.1%	79.0%

Note: JVFI contributed ~95.0% of Total Assets of DFIs during CY23.

Development Financial Institutions

Assets | Investments

- Overall investments registered ~73.3% YoY growth in CY23, and stood at PKR~2,025bln as of End-Dec'23 on the back of higher investments in government securities. During the year, PKIC comprised ~51.8% of total JVFI's investments (SPLY: ~68.4%), recording at PKR~1,046bln (up ~44.0% YoY).
- PKIC's investments rose further to PKR~1,067bln in 1QCY24, forming ~63.4% of sector's total investments (SPLY: ~64.6%). Meanwhile, sector's overall investments grew by ~1.4x YoY in 1QCY24 on the back of higher investments in government securities. Going forward, since the rates in the government securities are expected to reduce on the back of reduced policy rate that stands at ~20.5% w.e.f. Jun 10, 2024, therefore, these are expected to reduce the investments in these securities.

Sr.	JVFI	Investments (PKR mln)							YoY Growth Player-wise & Total			
		CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24	CY20	CY21	CY22	CY23
1	Pak Kuwait	56,341	90,459	103,845	724,288	1,045,809	867,009	1,067,317	60.6%	14.8%	597.5%	44.5%
2	Pak Oman	59,376	67,769	101,788	125,711	335,736	144,220	357,696	14.1%	50.2%	23.5%	166.7%
3	Pak Brunei	31,817	17,483	26,247	44,805	158,671	77,852	189,674	-45.1%	50.0%	71.0%	253.3%
4	Saudi Pak	23,904	35,557	31,131	36,321	35,337	36,692	42,875	48.7%	-12.4%	16.7%	-2.7%
5	Pak Libya	19,020	24,913	27,212	106,687	418,576	194,680	N.A.	31.0%	9.2%	292.1%	291.5%
6	Pak China	19,130	15,658	18,032	N.A.	N.A.	N.A.	N.A.	-18.1%	15.2%	N.A.	N.A.
7	PAIR	14,664	13,652	16,975	21,089	22,651	20,403	23,878	-6.9%	24.3%	24.0%	7.0%
	Total	224,252	265,491	325,230	1,058,901	2,016,700	1,340,856	1,681,440	18.3%	22.5%	225.6%	90.5%

Development Financial Institutions

JVFI | Share in Total Investments

- The average share of investments in the total asset base clocked in at ~73.3% in CY23, down from ~74.2% during CY22.
- However, average share of investments in the total asset base increased to ~80.2% during 1QCY24 (1QCY23: ~77.3%). This was spurred by the increase in investments in government securities, which occupy the largest share in investments.

		Investments/Total Assets						
Sr.	JVFI	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
1	Pak Kuwait	85.6%	84.7%	76.9%	90.8%	91.8%	91.3%	91.8%
2	Pak Oman	64.5%	70.0%	79.4%	79.7%	91.4%	85.0%	91.5%
3	Pak Brunei	55.1%	43.4%	21.0%	56.0%	84.3%	70.0%	85.3%
4	Saudi Pak	64.5%	73.7%	69.7%	67.8%	63.0%	66.3%	70.6%
5	Pak Libya	65.4%	67.3%	67.0%	85.6%	93.8%	91.3%	-
6	Pak China	57.3%	49.9%	51.9%	-	-	-	-
7	PAIR	68.3%	64.1%	67.9%	64.4%	65.7%	60.5%	61.1%
	Avg	65.6%	64.7%	62.0%	74.2%	73.3%	77.3%	80.2%

Development Financial Institutions

JVFI | Advances

- Total advances of JVFI experienced a slight decline of ~1.7% YoY in CY23, recording at PKR~121.7bln. Furthermore, during 1QCY24, advances fell by ~11.5% YoY to clock in at PKR~109.5bln.
- During CY23, the largest share of advances was held by PKIC of PKR~54.8bln, equivalent to ~44.2% of total JVFI advances.

Sr.	JVFI	Advances (PKR mln)							System Share			
		CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24	CY20	CY21	CY22	CY23
1	Pak Kuwait	6,655	14,257	27,359	49,598	53,845	49,620	54,505	16.9%	27.3%	40.0%	44.2%
2	Pak Oman	20,024	20,935	19,720	19,421	16,180	18,945	14,095	24.8%	19.7%	15.7%	13.3%
3	Pak Brunei	18,771	19,133	20,300	24,208	19,610	22,015	17,634	22.6%	20.0%	19.5%	16.1%
4	Saudi Pak	7,869	6,811	6,868	11,475	11,472	12,177	11,659	8.1%	6.9%	9.3%	9.4%
5	Pak Libya	4,525	5,674	6,312	9,743	9,985	10,322	-	6.7%	6.3%	7.9%	82.0%
6	Pak China	9,286	11,550	13,113	-	-	-	-	13.7%	13.1%	-	-
7	PAIR	5,390	6,165	6,517	9,442	10,651	10,716	11,562	7.3%	6.5%	7.6%	8.7%
	Total	72,521	84,525	100,189	123,887	121,743	123,795	109,455	16.6%	18.5%	23.7%	-1.7%

Development Financial Institutions

JVFI | Credit Quality (Infection Ratio)

- Total Non-Performing Loans (NPLs) of JVFI declined by ~236.0% YoY during CY23 and stood at PKR~2.3bln.
- During 1QCY24, the segment's total NPLs stood at PKR~2.0bln, registering ~253.0% YoY increase, likely due to implementation of IFRS-9.
- Average NPLs-to-Gross Advances ratio for CY23 increased to ~12.8% during CY23 (CY22: ~11.8%). This further increased to ~13.4% during 1QCY24.

NPLs/Gross Advances								
Sr.	JVFI	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
1	Pak Kuwait	14.2%	6.7%	3.7%	2.0%	1%	2.0%	1.0%
2	Pak Oman	3.3%	7.1%	9.4%	11.0%	13%	11.0%	14.0%
3	Pak Brunei	3.1%	5.0%	5.0%	3.6%	5%	3.6%	6.0%
4	Saudi Pak	40.2%	41.7%	26.2%	30.5%	22%	27.2%	31.0%
5	Pak Libya	26.0%	21.2%	16.2%	12.3%	17%	10.4%	-
6	Pak China	9.9%	13.6%	-	-	-	-	-
7	PAIR	38%	36.9%	24.8%	18.1%	19.0%	15.9%	15.0%
Average		19.1%	19/.0%	14.2%	11.8%	12.8%	11.7%	13.4%

Development Financial Institutions

JVFI | Borrowings

Borrowings (PKR mln)								
Sr.	JVFI	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
1	Pak Kuwait	28,953	62,153	81,209	727,243	1,026,530	881,768	1,048,285
2	Pak Oman	73,681	70,552	103,997	132,901	340,891	144,942	360,812
3	Pak Brunei	45,152	27,763	40,285	68,320	174,594	99,365	207,768
4	Saudi Pak	22,759	32,320	26,457	36,775	37,199	37,536	41,691
5	Pak Libya	21,914	26,392	30,149	113,480	424,392	201,326	-
6	Pak China	16,119	12,903	16,062	-	-	-	-
7	PAIR	10,843	10,223	13,658	20,336	21,789	21,035	23,655
Total		219,422	242,306	311,817	1,099,055	2,025,395	1,385,953	1,682,211
Growth YoY		97.0%	10.4%	28.7%	252.5%	84.2%	26.0%	21.3%

- The sector's funding mix is largely tilted towards borrowings from financial institutions. Sector's borrowings grew by a ~73.1% and reached PKR~2,117bln during CY23 while JVFI's borrowings increased by ~84.2% in CY23 and stood at PKR~2,025bln at the end of CY23. During 1QCY24, there was a further increase of in borrowings (~21%) that clocked in at PKR~1,682bln.
- The largest share in JVFI's total borrowing is occupied by PKIC with PKR~1,027bln, equivalent to ~51.0% (CY22: 66.2%), while Pak Oman's share in the segment's total borrowings was recorded at ~16.8% in CY23 (SPLY: ~12.1%).

Development Financial Institutions

JVFI | Deposits

Sr.	JVFI	Deposits (PKR mln)							System Share			
		CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24	CY20	CY21	CY22	CY23
1	Pak Kuwait	-	2,820	6,265	13,685	19,271	7,455	24,395	10.3%	21.4%	37.4%	43.1%
2	Pak Oman	8,576	15,869	14,354	13,521	12,218	14,307	17,369	57.8%	49.0%	36.9%	27.3%
3	Pak Brunei	620	830	50	55	-	55	-	3.0%	0.2%	0.2%	-
4	Saudi Pak	510	2,446	2,912	1,953	3,665	3,704	3,965	8.9%	9.9%	5.3%	8.2%
5	Pak Libya	1,551	4,043	4,576	5,627	6,804	5,481	-	14.7%	15.6%	15.4%	15.2%
6	Pak China	-	512	0	-	-	-	-	1.9%	-	-	-
7	PAIR	775	924	1,132	1,772	2,724	2,046	3,691	3.4%	3.9%	5.0%	6.0%
Total		12,032	27,444	29,289	36,613	44,682	33,048	49,420	128.1%	6.7%	25.0%	22.0%

- The sector's deposit mobilization grew by ~22.0% YoY in CY23. Furthermore an increase of ~49.5% was observed in deposits during 1QCY24.
- PKIC and Pak Oman recorded the largest deposit portfolio among JVFI and accounted for ~70.5% of segment's total deposits in CY23.

Development Financial Institutions

JVFI | Equity

		Equity (PKR mln)						
Sr.	JVFI	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
1	Pak Kuwait	33,535	37,717	42,184	49,941	77,477	52,030	75,327
2	Pak Oman	8,353	9,083	8,756	8,700	8,739	7,381	7,208
3	Pak Brunei	10,549	10,733	10,232	10,003	10,839	9,261	10,558
4	Saudi Pak	13,003	12,912	14,459	14,044	14,179	13,747	14,294
5	Pak Libya	5,254	5,963	5,575	4,111	7,716	4,518	-
6	Pak China	16,632	17,482	18,172	-	-	-	-
7	PAIR	9,471	9,662	9,655	9,773	10,581	9,233	10,424
Total		96,797	103,553	109,033	96,572	129,531	96,170	117.811
Growth YoY		13.0%	6.9%	5.2%	-11.4%	34.1%	-1.0%	22.5%

- The sector's equity base (excluding Pak China) clocked in at PKR~129.5bln in CY23. Among the segment players, PKIC has the largest equity profile (~60.0%) amounting to PKR~77.5bln in CY23.

Development Financial Institutions

JVFI | Capital Adequacy

Capital Adequacy Ratio									Equity / Total Assets								
Sr.	JVFI	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24	Sr.	JVFI	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
1	Pak Kuwait	36.6%	34.0%	24.5%	19.7%	12.5%	-	-	1	Pak Kuwait	51.0%	35.0%	31.0%	6.0%	7.0%	5.0%	6.0%
2	Pak Oman	15.6%	17.2%	16.5%	21.9%	15.5%	18.5%	15.6%	2	Pak Oman	9.0%	9.0%	7.0%	6.0%	2.0%	4.0%	2.0%
3	Pak Brunei	27.3%	26.6%	29.4%	23.0%	26.6%	23.0%	22.3%	3	Pak Brunei	18.0%	27.0%	20%	13.0%	6.0%	8.0%	5.0%
4	Saudi Pak	44.5%	38.3%	47.2%	42.9%	41.8%	42.2%	41.2%	4	Saudi Pak	35.0%	27.0%	32.0%	26.0%	25.0%	25.0%	24.0%
5	Pak Libya	18.2%	24.7%	24.0%	16.7%	34.9%	14.2%	-	5	Pak Libya	18.0%	16.0%	14.0%	3.0%	2.0%	2.0%	-
6	Pak China	73.7%	70.7%	70.1%	-	-	-	-	6	Pak China	50.0%	56.0%	52.0%	-	-	-	-
7	PAIR	58.0%	55.8%	49.5%	33.5%	36.6%	26.5%	34.2%	7	PAIR	44.0%	45.0%	39.0%	30.0%	32.0%	27.0%	27.0%
Average		39.1%	38.2%	37.3%	26.2%	27.9%	24.4%	28.3%	Average		32.1%	30.7%	27.8%	14.0%	12.3%	11.8%	12.8%

- Average Capital Adequacy Ratio (CAR) of JVFI's declined from ~39.1% in CY19 to ~26.2% in CY22. However, it increased to ~27.9% and ~28.3% during CY23 and 1QCY24, respectively. CAR across all segment players remains well above the minimum requirement of ~11.5% by the State Bank of Pakistan.
- The equity-to-total assets ratio has declined from ~32.1% in CY19 to ~12.3% in CY23. Specifically, for PKIC, ~796.0% higher borrowing from financial institutions against sale and repurchase of the government securities in CY22 led to the drastic decline in equity-to-total assets ratio during the same period.

Development Financial Institutions

JVFI | Profitability

Profit Before Tax (PKR mln)									Profit After Tax (PKR mln)								
Sr.	JVFI	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24	Sr.	JVFI	CY19	CY20	CY21	CY22	CY23	1QCY23	1QCY24
1	Pak Kuwait	5,768	7,818	9,508	13,995	31,467	4,786	3,304	1	Pak Kuwait	4,743	6,344	7,882	11,030	20,296	3,727	2,571
2	Pak Oman	682	1,337	651	501	941	343	25	2	Pak Oman	504	972	478	334	705	230	22
3	Pak Brunei	458	1,033	704	744	1,210	278	196	3	Pak Brunei	366	718	481	503	847	184	139
4	Saudi Pak	405	809	1,341	394	558	196	101	4	Saudi Pak	267	616	922	311	508	146	149
6	Pak Libya	-277	460	42	-218	561	309	-	5	Pak Libya	-304	304	41	-307	330	238	-
5	Pak China	1,066	1,166	1,414	-	-	-	-	6	Pak China	760	773	919	-	-	-	-
7	PAIR	394	506	254	654	1,106	221	534	7	PAIR	241	387	194	446	769	158	331
Total		8,496	13,129	13,914	16,070	35,843	6,133	4,160	Total		6,577	10,114	14,964	12,317	23,455	4,683	3,212
Growth YoY		39.0%	54.5%	5.9%	15.4%	123.0%	87%	-32.1	Growth YoY		57.0%	53.7%	47.9%	17.6%	90.4%	80%	-31.4%

- The Profit Before Tax (PBT) grew by ~123.0% YoY from PKR~16.1bln in CY22 to PKR~35.8bln in CY23. Meanwhile the Profit After Tax (PAT) also increased ~90.4% YoY from PKR~12.3bln in CY22 to PKR~23.4bln in CY23.
- The average Return on Assets (ROA) of JVFI in CY23 increased to ~1.1% (CY22: ~0.9%) Meanwhile, the average Return on Equity (ROE) exhibited an increasing trend, clocking in at ~18.1% (CY22: ~12.2%).

Development Financial Institutions

Pakistan Microfinance Investment Company

Figures in PKR mln

Financial Position						
	CY19	CY20	CY21	CY22	9MCY22	9MCY23
Total Investment	2,094	1,617	3,194	11,741	2,361	21,869
Financing - Net	22,823	22,365	12,921	13,296	17,196	14,792
Cash & Bank Balances	806	212	2,019	545	214	348
Total Assets	27,192	27,422	31,107	42,601	31,560	54,927
Loans & Borrowings	7,666	8,207	9,005	10,665	9,677	10,285
Subordinated loans	12,347	12,082	9,618	8,852	9,159	8,401
Equity	6,286	6,693	7,273	7,915	7,705	8,650
Total Equity & Liabilities	27,192	27,422	31,107	42,601	31,560	54,927
Performance Indicators						
	CY19	CY20	CY21	CY22	9MCY22	9MCY23
Revenue	3,633	3,256	2,793	4,898	3,449	6,243
PBT	68	581	669	958	744	1,142
PAT	39	403	477	633	431	717

- 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 9MCY23, PMIC's profitability (PBT) increased by ~53.5% and was recorded at PKR~1,142bln, compared to 9MCY22, whereas Profit-after-Tax increased by ~66.4% during the same time period and clocked in at PKR~717bln.
- Total assets of PMIC registered ~74.0% YoY increase during 9MCY23, whereas Net Financing declined by ~14.0% during the same period.

Development Financial Institutions

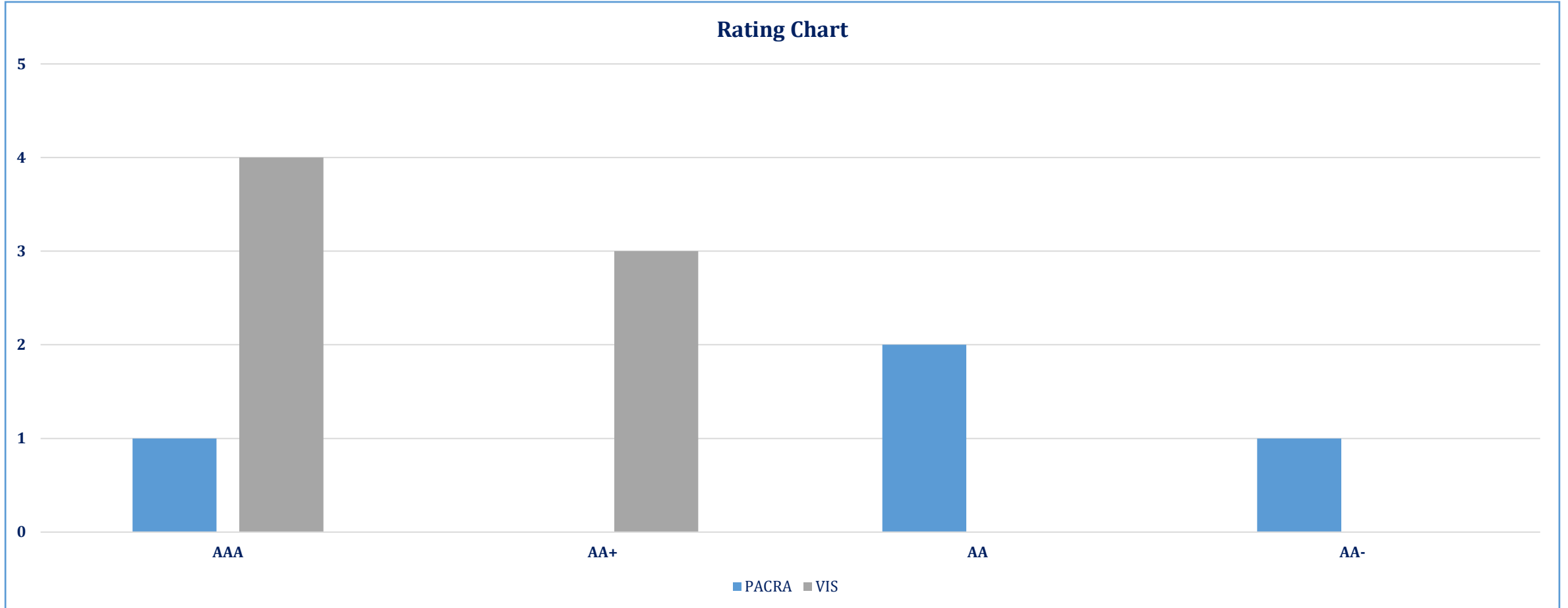
Regulatory Framework

- 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 are applicable 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 provide guidance regarding risk management, corporate governance and operations of financial institutions.
- As per SBP regulations, the Minimum Capital Requirement (MCR) for DFIs is PKR 6bln. In addition, DFIs are required to maintain a Capital Adequacy Ratio (CAR) of 11.5%.
- During October 2020, 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 State Bank for issuance of 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 four DFIs, falling in the bandwidth of AA- to AAA.



Development Financial Institutions

Outlook : Stable

- In FY23, Pakistan's GDP (nominal) stood at PKR~79.7trn (FY22: PKR~63.3trn), contracting, in real terms, by ~0.17% YoY (FY22: ~6.3% growth). However, country's nominal GDP during FY24 is forecast to clock in at PKR~100.0trn with ~2.4% YoY growth in real GDP, depicting an improved economic activity compared with SPLY. During FY23, service, agricultural and industrial, sectors contributed ~58.4%, 23.2% and 18.4%, respectively to the GDP. The SBP estimates GDP growth at ~2-3% for FY24, while IMF's forecast for the same period stands at ~2.0%. The country's LSM activity as depicted by the QIM showed a contraction (~10.3%) during FY23 unlike FY22 that showed a robust, performance and increased by ~11.5%.
- The asset base of JVFI's grew by ~79% in CY23 and stood at PKR~2,231bln. The growth in total assets is largely attributable to increase in investments (~73.3%) which is the largest component of total assets and constituted ~86.6% of JVFI's asset base as of End-Dec'23 (End-Dec'22: ~81.6%). Total assets registered a growth of ~63.3% YoY during CY23 whereas they grew by ~38.8% during 1QCY24, as compared to SPLY. During CY23, Pak Kuwait Investment Company (PKIC) had the largest contribution to total assets of JVFI's clocking in at PKR~1,139bln, a share of ~51.1%. The share for PKIC increased during 1QCY24 at ~62.0%.
- The sector's investments registered a massive growth of ~73.3% in CY23, and stood at PKR~2,025bln at the end of the period. During CY23, the largest share of investments was held by PKIC of PKR~1,046bln, equivalent to ~51.8% of total JVFI's investments and increased further to PKR~1,067bln in 1QCY24. Investments grew by ~1.4x in 1QCY24 on the back of higher investments in government securities.
- The sector's funding mix is largely tilted towards borrowings from financial institutions. Sector's borrowings grew by a ~73.1% and reached PKR~2,117bln during CY23 while JVFI's borrowings increased by ~84.2% in CY23 and stood at PKR~2,025bln at the end of CY23. During 1QCY24, there was a further increase of in borrowings (~21%) that clocked in at PKR~1,682bln.
- The largest share in JVFI's total borrowing is occupied by PKIC with PKR~1,027bln, equivalent to ~51.0% (CY22: 66.2%), while Pak Oman's share in the segment's total borrowings was recorded at ~16.8% in CY23 (SPLY: ~12.1%). The Profit Before Tax (PBT) grew by ~123.0% YoY from PKR~16.1bln in CY22 to PKR~35.8bln in CY23. Meanwhile the Profit After Tax (PAT) also increased ~90.4% YoY from PKR~12.3bln in CY22 to PKR~23.4bln in CY23.
- The average Return on Assets (ROA) of JVFI's in CY23 increased to ~1.1% (CY22: ~0.9%) Meanwhile, the average Return on Equity (ROE) exhibited an increasing trend, clocking in at ~18.1% (CY22: ~12.2%). Going forward, given the positive performance by the sector during CY23 (Profit After Tax (PAT) increased ~90.4% YoY from PKR~12.3bln in CY22 to PKR~23.4bln in CY23, the sector is expected to remain stable.

Development Financial Institutions

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- Pakistan Bureau of Statistics (PBS)
- PACRA Database
- JVFI's Financial Statements
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