

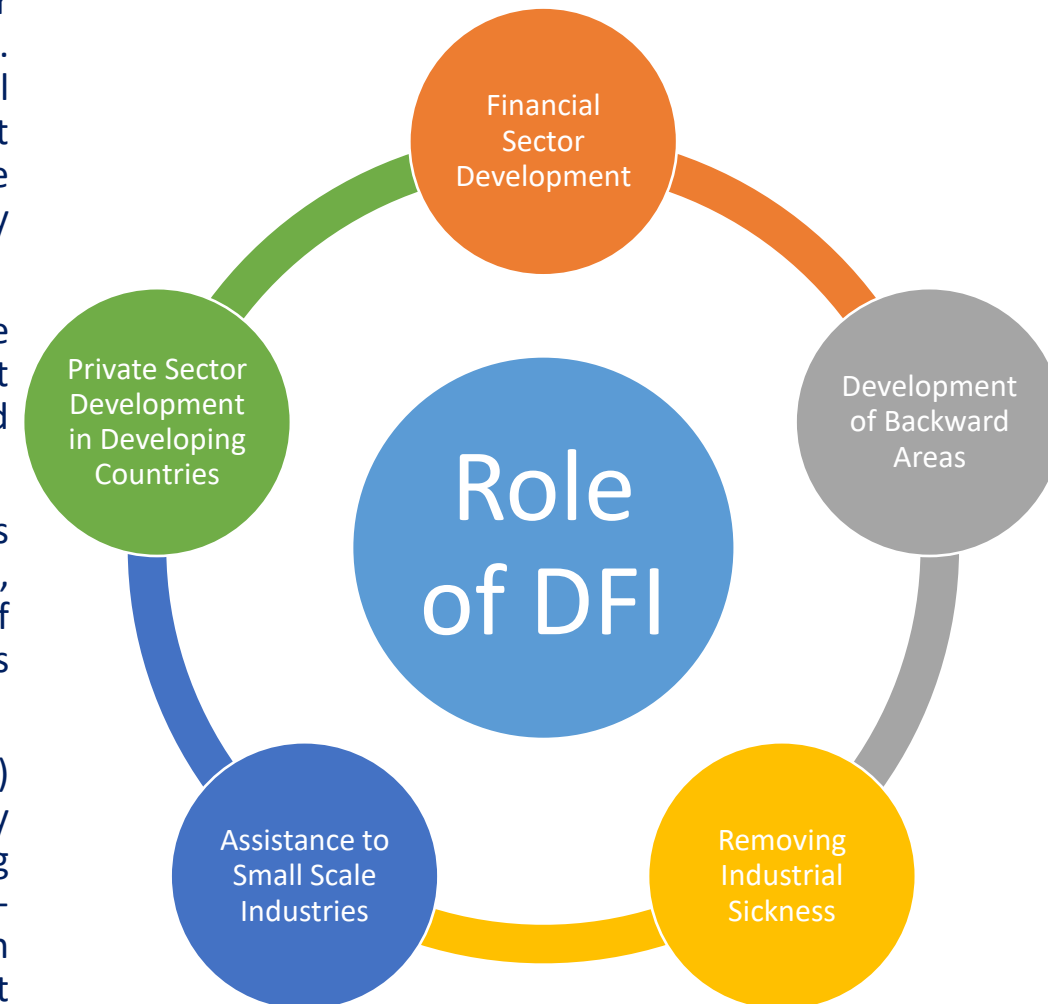


Development Financial Institutions (DFIs)

Sector Study

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.

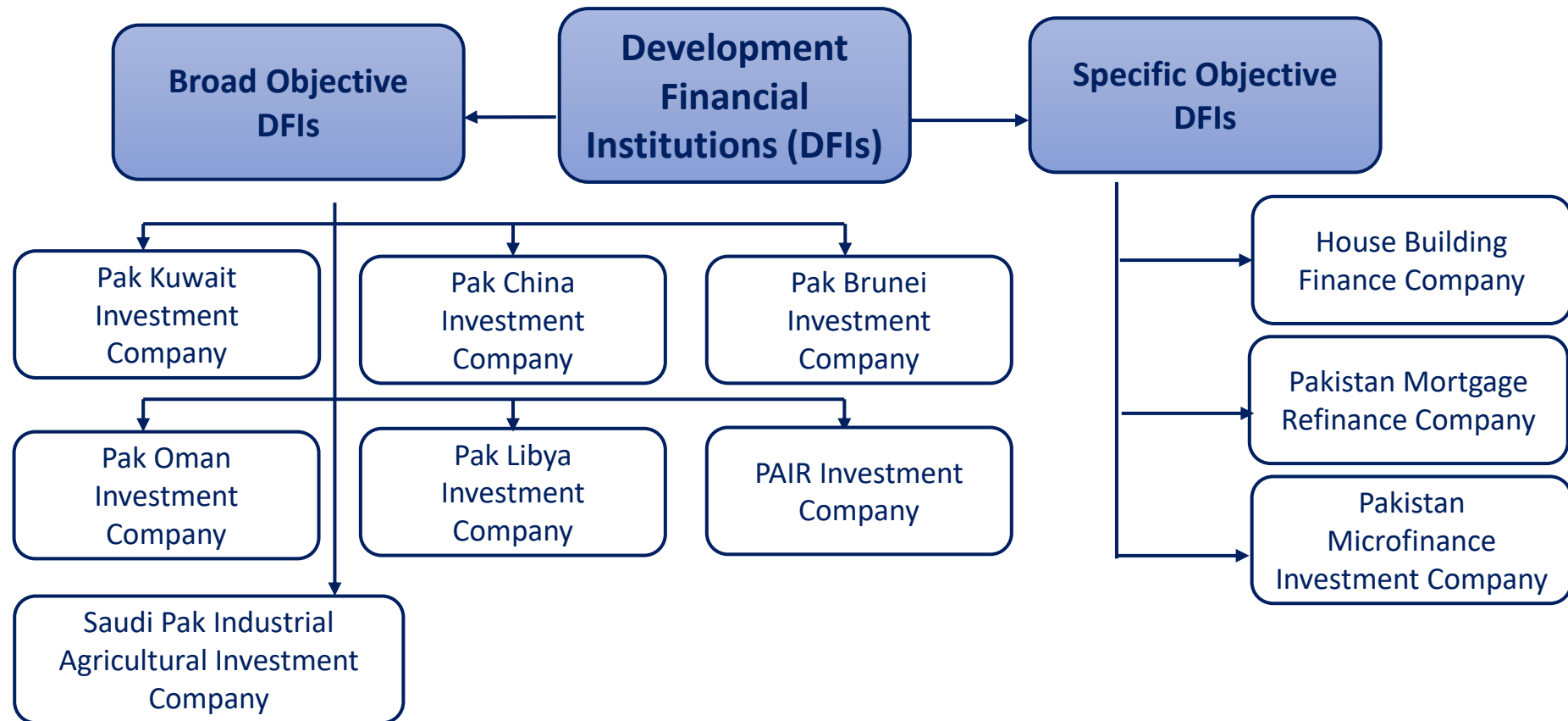


Local | Overview

- There are two categories of Development Financial Institutions (DFIs) operating in Pakistan. Broad objective DFIs and Specific objectives 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.

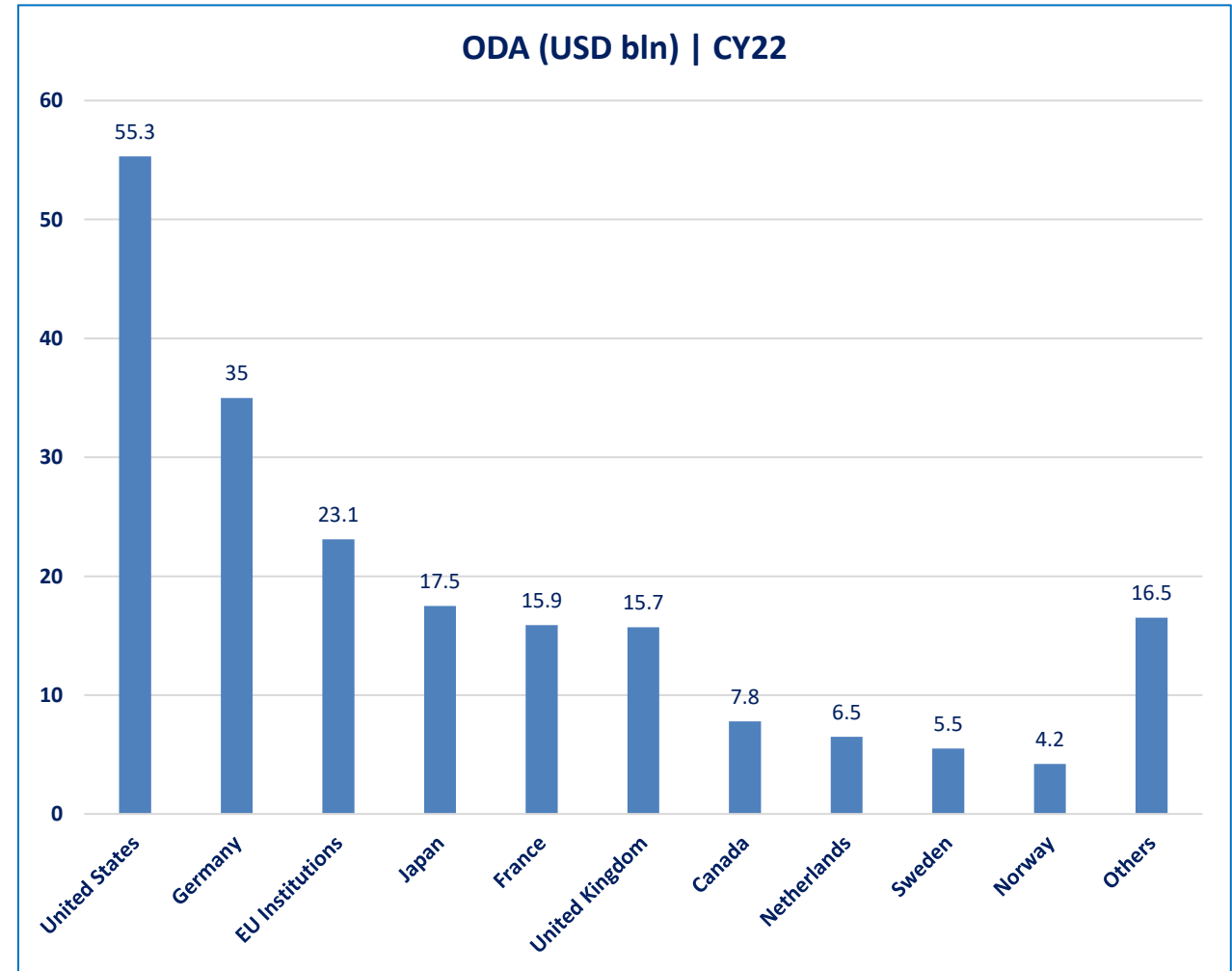
- The shareholding structure of JVFI consists of 50% ownership of the Government of Pakistan, through either the Ministry of Finance or State Bank of Pakistan. The remaining 50% is owned by the respective foreign governments through relevant institutions.

- Meanwhile, ownership structures of specific objective DFIs is more varied with shareholding held by national and international financial and developmental institutions.



Global | Overview

- Official Development Assistance (ODA) touched the USD~204bln mark in CY22, up ~13.6% YoY (CY21: USD~186bln) as developed economies increased their spending on humanitarian aid, including processing and hosting refugees.
- The rise in spending on processing and hosting refugees within donor countries amounted to USD~29bln, or ~14.4% of ODA (CY21: USD~13bln).
- Another factor behind the increase in CY22 was a rise in aid to Ukraine following Russia's invasion in Feb'22. ODA to Ukraine amounted to USD~16bln – up from just USD~918mln in CY21 – including USD~2bln of humanitarian aid.
- The CY22 ODA aggregate formed ~0.4% of DAC donors' total gross national income (GNI). Five DAC members, namely, Denmark, Germany, Luxembourg, Norway and Sweden, met or exceeded the ~0.7% target during CY22.
- ODA rose in 26 DAC countries during the same period, whereby the largest increases were delivered by Poland (~255.6%), the Czech Republic (~167.1%), Ireland (~125.1%), Lithuania (~121.6%), Slovenia (~48.7%), and Austria (~36.2%).



Local | Financial Position

Figures in PKR mln

| Assets | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
|------------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Cash & Balances With Treasury Banks | 555 | 593 | 3,721 | 3,034 | 2,831 | 2,055 | 1,990 |
| Balances With Other Banks | 4,849 | 4,541 | 5,998 | 5,613 | 24,230 | 5,580 | 7,964 |
| Lending To Financial Institutions | 12,757 | 16,998 | 16,881 | 10,228 | 8,534 | 25,419 | 27,704 |
| Investments - Net | 122,126 | 122,263 | 240,205 | 286,995 | 338,433 | 1,168,014 | 1,405,327 |
| Advances - Net | 76,664 | 82,331 | 91,907 | 111,173 | 140,443 | 188,075 | 186,915 |
| Operating Fixed Assets & Other Assets | 11,016 | 11,730 | 18,342 | 22,208 | 24,224 | 42,314 | 8,928 |
| Total Assets | 227,968 | 238,455 | 377,054 | 439,251 | 538,696 | 1,431,457 | 1,688,138 |
| Liabilities | | | | | | | |
| Borrowings From Financial Institution | 100,537 | 111,444 | 228,989 | 260,512 | 348,313 | 1,223,015 | 1,477,866 |
| Deposits And Other Accounts | 17,115 | 11,644 | 12,033 | 27,444 | 34,039 | 38,116 | 33,357 |
| Other Liabilities | 17,388 | 16,750 | 24,732 | 25,635 | 19,946 | 25,160 | 28,627 |
| Total Liabilities | 128,508 | 132,217 | 260,023 | 307,570 | 402,298 | 1,286,291 | 1,539,850 |
| Equity | | | | | | | |
| Share Capital | 65,373 | 69,032 | 73,622 | 75,352 | 84,201 | 84,571 | 84,571 |
| Reserves | 13,287 | 14,317 | 17,592 | 19,819 | 22,338 | 24,899 | 27,330 |
| Unappropriated Profit | 18,827 | 22,581 | 22,997 | 33,735 | 31,989 | 42,345 | 44,387 |
| Surplus/Deficit On Revaluation Of Assets | 1,973 | 308 | 2,820 | 2,776 | -2,130 | -6,649 | -8,000 |
| Total Equity | 99,460 | 106,238 | 117,031 | 131,681 | 136,398 | 145,165 | 148,288 |

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

Source: SBP

Local | Operating Position

Figures in PKR mln

| Key Financials | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
|---------------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|
| Net Mark-Up/Interest Income | 6,469 | 7,043 | 10,567 | 13,818 | 12,461 | 13,538 | 4,267 |
| Net Mark-Up/Interest Income After Provision | 7,009 | 7,161 | 9,198 | 12,054 | 12,822 | 12,033 | 4,384 |
| Total Non-Markup/Interest Income | 5,372 | 4,637 | 5,960 | 11,269 | 9,089 | 13,732 | 2,988 |
| Total Income | 12,381 | 11,798 | 15,157 | 23,323 | 21,911 | 25,765 | 7,372 |
| Total Non-Markup/Interest Expenses | 4,415 | 4,681 | 5,351 | 6,319 | 6,995 | 7,335 | 2,010 |
| Profit/ (Loss) Before Taxation | 7,967 | 7,117 | 9,806 | 17,004 | 14,915 | 18,429 | 5,363 |
| Less: Taxation | 2,644 | 2,129 | 1,953 | 3,602 | 3,015 | 4,287 | 1,325 |
| Profit/ (Loss) After Taxation | 5,322 | 4,988 | 7,854 | 13,402 | 11,901 | 14,143 | 4,038 |

- The sector's profit-after-tax (PAT) increased by ~19% YoY during CY22 and clocked in at PKR~14bln as compared to PKR~12bln in CY21. The sector's total non-markup/interest income grew by ~5% during CY22 (CY21: ~11%).

Key Ratios

| | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
|--------------------------------------|------|------|------|------|------|------|--------|
| Capital | | | | | | | |
| Total Capital to Total RWA | 40.8 | 47.0 | 47.0 | 44.9 | 38.7 | 36.5 | 34.8 |
| Tier 1 Capital to Total RWA | 39.6 | 46.1 | 46.3 | 43.7 | 38.3 | 35.9 | 34.2 |
| Asset Quality | | | | | | | |
| NPLs to Total Loans | 17.5 | 17.1 | 15.8 | 14.5 | 9.51 | 7.3 | 7.4 |
| Provision to NPLs (Coverage) | 77.7 | 71.8 | 70.3 | 74.4 | 84.9 | 87.9 | 91.1 |
| Earnings | | | | | | | |
| ROA after Tax | 3.6 | 2.4 | 2.2 | 2.7 | 2.4 | 1.6 | 1.0 |
| ROE after Tax | 8.7 | 5.8 | 4.9 | 7.2 | 8.9 | 10.1 | 11.0 |
| Net Interest Income to Gross Income | 47.8 | 54.6 | 60.3 | 63.9 | 57.8 | 49.6 | 58.8 |
| Operating Expense to Gross Income | 38.8 | 37.3 | 40.1 | 32.4 | 32.5 | 26.9 | 27.7 |
| Liquidity | | | | | | | |
| Liquid Assets/Total Assets | 41.4 | 40.4 | 38.1 | 54.9 | 54.8 | 77.9 | 80.4 |
| Liquid Assets/Short term Liabilities | 90.2 | 90.9 | 86.9 | 97.6 | 98.0 | 98.2 | 97.1 |
| Funding Mix* | | | | | | | |
| Borrowings | 88.9 | 85.5 | 90.5 | 94.8 | 91.4 | 96.8 | 97.7 |
| Deposits | 11.1 | 14.5 | 9.5 | 5.2 | 8.6 | 3.2 | 2.3 |

Note: Includes JVFI and Special Purpose Entities

**Funding Mix is based on JVFI data only*

JVFI | Total Assets

- The asset base of JVFI grew by ~171% in CY22 and stood at PKR~1,2477bln. The growth in total assets is largely attributable to increase in investments which is the largest component of total assets and constituted ~74% of JVFI asset base as of End-Dec'22. Total assets registered a growth of ~23% during 1QCY23, as compared to CY22.
- During CY22, Pak Kuwait Investment Company (PKIC) had the largest contribution to total assets of JVFI clocking in at PKR~798bln, a share of ~64%. The share for PKIC remained relatively stable during 1QCY23 at ~62%.

| Sr. | JVFI | Total Assets (PKR mln) | | | | | | | Growth | | | |
|-------------------|------------|------------------------|----------------|----------------|----------------|----------------|------------------|------------------|--------|------|------|------|
| | | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 | CY19 | CY20 | CY21 | CY22 |
| 1 | Pak Kuwait | 29,129 | 29,977 | 65,781 | 106,826 | 135,034 | 798,096 | 949,277 | 119% | 62% | 26% | 491% |
| 2 | Pak Oman | 64,669 | 58,110 | 92,083 | 96,806 | 128,260 | 157,700 | 169,382 | 58% | 5% | 32% | 23% |
| 3 | Pak Brunei | 29,869 | 48,793 | 57,773 | 40,253 | 51,450 | 79,938 | 111,284 | 18% | -30% | 28% | 55% |
| 4 | Saudi Pak | 22,167 | 19,191 | 37,085 | 48,236 | 44,688 | 53,607 | 55,305 | 93% | 30% | -7% | 20% |
| 5 | Pak Libya | 19,163 | 20,428 | 29,089 | 37,010 | 40,621 | 124,691 | 213,242 | 42% | 27% | 10% | 207% |
| 6 | Pak China | 24,421 | 19,762 | 33,403 | 31,409 | 34,723 | N.A. | N.A. | 69% | -6% | 11% | - |
| 7 | PAIR | 17,686 | 18,525 | 21,475 | 21,290 | 25,014 | 32,741 | 33,709 | 16% | -1% | 17% | 31% |
| Total | | 207,104 | 214,787 | 336,689 | 381,830 | 408,340 | 1,246,773 | 1,532,199 | | | | |
| <i>Growth YoY</i> | | <i>10%</i> | <i>4%</i> | <i>57%</i> | <i>13%</i> | <i>20%</i> | <i>171%</i> | <i>23%</i> | | | | |

Note: JVFI contribute ~88% of Total Assets of DFIs.
 * Pak Brunei numbers omitted from base year sum

JVFI | Advances

- The advances of JVFI experienced significant growth of ~26% and stood at PKR~126bln at the end of CY22. However, during 1QCY23, advances fell by ~5% to PKR~120bln.
- During CY22, the largest share of advances was held by PKIC of PKR~50bln, equivalent to ~40% of total JVFI advances.

| Sr. | JVFI | Advances (PKR mln) | | | | | | | System Share | | | |
|-------------------|------------|--------------------|---------------|---------------|---------------|----------------|----------------|----------------|--------------|------|------|------|
| | | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 | CY19 | CY20 | CY21 | CY22 |
| 1 | Pak Kuwait | 3,166 | 2,698 | 6,655 | 14,257 | 27,359 | 49,958 | 49,620 | 9% | 17% | 27% | 40% |
| 2 | Pak Oman | 18,788 | 20,480 | 20,024 | 20,935 | 19,720 | 19,421 | 18,945 | 28% | 25% | 20% | 16% |
| 3 | Pak Brunei | 18,768 | 20,330 | 18,771 | 19,133 | 20,300 | 24,208 | 22,015 | 26% | 23% | 20% | 19% |
| 4 | Saudi Pak | 8,458 | 7,865 | 7,869 | 6,811 | 6,868 | 11,475 | 8,650 | 11% | 8% | 7% | 9% |
| 5 | Pak Libya | 3,593 | 4,350 | 4,525 | 5,674 | 6,312 | 9,743 | 10,322 | 6% | 7% | 6% | 8% |
| 6 | Pak China | 7,900 | 7,620 | 9,286 | 11,550 | 13,113 | - | - | 13% | 14% | 13% | - |
| 7 | PAIR | 4,653 | 6,224 | 5,390 | 6,165 | 6,517 | 9,442 | 10,716 | 7% | 7% | 7% | 8% |
| Total | | 65,326 | 69,567 | 72,521 | 84,525 | 100,189 | 126,125 | 120,268 | | | | |
| <i>Growth YoY</i> | | <i>17%</i> | <i>6%</i> | <i>4%</i> | <i>17%</i> | <i>19%</i> | <i>26%</i> | <i>-5%</i> | | | | |

JVFI | Advances – Credit Quality

- The total Non-Performing Loans (NPLs) of JVFI grew by ~7% during CY22 and stood at PKR~10.3bln as compared to PKR~9.7bln in CY21. During 1QCY23, the segment's total NPLs stood at PKR~10.7bln.
- The NPLs-to-Gross Advances ratio for CY22 decreased to ~13% during CY22. It further decreased to ~12% during 1QCY23.

| | | NPLs/Gross Advances | | | | | | |
|-----|----------------|---------------------|------------|------------|------------|------------|------------|------------|
| Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
| 1 | Pak Kuwait | 28% | 30% | 14% | 7% | 4% | 2% | 2% |
| 2 | Pak Oman | 5% | 3% | 3% | 7% | 9% | 11% | 11% |
| 3 | Pak Brunei | 5% | 3% | 3% | 5% | 5% | 4% | 4% |
| 4 | Saudi Pak | 24% | 31% | 40% | 42% | 26% | 30% | 27% |
| 5 | Pak Libya | 39% | 27% | 26% | 21% | 16% | 12% | 10% |
| 6 | Pak China | 4% | 10% | 10% | 14% | - | - | - |
| 7 | PAIR | 17% | 24% | 38% | 37% | 25% | 18% | 16% |
| | Average | 17% | 18% | 19% | 19% | 14% | 13% | 12% |

Assets | Investments

- The industry's investments registered a massive growth of ~226% in CY22, and stood at PKR~1,059bln at the end of the period.
- During CY22, the largest share of investments was held by PKIC of PKR~724bln, equivalent to ~68.3% of total JVFI investments and increased further to PKR~867bln in CY22. Investments grew by ~3.5x in CY22 on the back of higher investments in government securities.

| | | Investments (PKR mln) | | | | | | | YoY Growth Player-wise | | | |
|-------------------|------------|-----------------------|----------------|----------------|----------------|----------------|------------------|------------------|--------------------------|------|------|------|
| Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 | CY19 | CY20 | CY21 | CY22 |
| 1 | Pak Kuwait | 22,923 | 25,815 | 56,341 | 90,459 | 103,845 | 724,288 | 867,009 | 118% | 61% | 15% | 597% |
| 2 | Pak Oman | 40,241 | 28,433 | 59,376 | 67,769 | 101,788 | 125,711 | 143,963 | 109% | 15% | 50% | 24% |
| 3 | Pak Brunei | 7,679 | 26,117 | 31,817 | 17,483 | 26,247 | 44,805 | 77,852 | 22% | -45% | 50% | 71% |
| 4 | Saudi Pak | 9,468 | 4,159 | 23,904 | 35,557 | 31,131 | 36,321 | 36,692 | 475% | 49% | -12% | 17% |
| 5 | Pak Libya | 9,700 | 11,832 | 19,020 | 24,913 | 27,212 | 106,689 | 194,680 | 61% | 31% | 9% | 292% |
| 6 | Pak China | 13,848 | 9,976 | 19,130 | 15,658 | 18,032 | N.A. | N.A. | 92% | -18% | 15% | N.A. |
| 7 | PAIR | 11,044 | 11,260 | 14,664 | 13,652 | 16,975 | 21,089 | 20,403 | 30% | -7% | 24% | 24% |
| Total | | 114,903 | 117,593 | 224,252 | 265,491 | 299,983 | 1,058,903 | 1,340,599 | | | | |
| <i>Growth YoY</i> | | <i>12%</i> | <i>2%</i> | <i>91%</i> | <i>18%</i> | <i>13%</i> | <i>226%</i> | <i>27%</i> | | | | |

JVFI | Investments Share

- The share of investments in the total asset base has grown steadily over the years (CY17-22), and clocked in at ~74% in CY22, up from ~54% from CY17-18 and ~62% the previous year.
- This was spurred by the increase in investments in government securities, which occupy the largest share in investments. The average share of segment's federal investments in their total investments portfolio stood at ~73.8% in CY22 (CY21: ~62%).
- In absolute terms, the segment's total investments in federal securities clocked in at PKR~881bln in CY22, ~6x the levels in CY21, when they had amounted to PKR~155bln.
- The share of investments in total assets of the segment rose to further ~77% during 1QCY23.

| | | Investments/Total Assets | | | | | | |
|----------------|------------|--------------------------|------------|------------|------------|------------|------------|------------|
| Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
| 1 | Pak Kuwait | 79% | 86% | 86% | 85% | 77% | 91% | 91% |
| 2 | Pak Oman | 62% | 49% | 64% | 70% | 79% | 80% | 85% |
| 3 | Pak Brunei | 26% | 54% | 55% | 43% | 21% | 56% | 70% |
| 4 | Saudi Pak | 43% | 22% | 64% | 74% | 70% | 68% | 66% |
| 5 | Pak Libya | 51% | 58% | 65% | 67% | 67% | 86% | 91% |
| 6 | Pak China | 57% | 50% | 57% | 50% | 52% | - | - |
| 7 | PAIR | 62% | 61% | 68% | 64% | 68% | 64% | 61% |
| Average | | 54% | 54% | 66% | 65% | 62% | 74% | 77% |

JVFI | Borrowings

| Borrowings (PKR mln) | | | | | | | | |
|----------------------|------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
| 1 | Pak Kuwait | 2,562 | 1,371 | 28,953 | 62,153 | 81,209 | 727,243 | 881,768 |
| 2 | Pak Oman | 44,608 | 39,962 | 73,681 | 70,552 | 103,997 | 132,901 | 144,923 |
| 3 | Pak Brunei | 13,967 | 36,890 | 45,152 | 27,763 | 40,285 | 68,320 | 99,365 |
| 4 | Saudi Pak | 9,077 | 5,771 | 22,759 | 32,320 | 26,457 | 36,775 | 37,536 |
| 5 | Pak Libya | 14,367 | 15,353 | 21,914 | 26,392 | 30,149 | 113,480 | 201,326 |
| 6 | Pak China | 9,577 | 4,181 | 16,119 | 12,903 | 16,062 | N.A. | N.A. |
| 7 | PAIR | 6,371 | 7,916 | 10,843 | 10,223 | 13,658 | 20,336 | 21,035 |
| Total | | 100,528 | 111,444 | 219,422 | 242,306 | 271,532 | 1,099,055 | 1,385,953 |
| <i>Growth YoY</i> | | <i>15%</i> | <i>11%</i> | <i>97%</i> | <i>10%</i> | <i>12%</i> | <i>252%</i> | <i>26%</i> |

- The sector's funding mix is largely tilted towards borrowings. Borrowings grew by a whopping ~225% in CY22 and stood at PKR~1,099bln at the end of CY22. During 1QCY23, there was a further increase of ~26% in borrowings, amounting to PKR~1,386bln.
- The largest share in JVFI's total borrowing is occupied by PKIC with PKR~727bln, equivalent to ~66% (CY21: ~30%), while Pak Oman's share in the segment's total borrowings was recorded at ~12.1% in CY22 (SPLY: ~38%).

JVFI | Deposits

| Sr # | JVFI | Deposits (PKR mln) | | | | | | | System Share | | | |
|-------------------|------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|------|------|------|
| | | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 | CY19 | CY20 | CY21 | CY22 |
| 1 | Pak Kuwait | 3 | 35 | - | 2,820 | 6,265 | 13,685 | 7,455 | 0% | 10% | 21% | 37% |
| 2 | Pak Oman | 10,501 | 9,010 | 8,576 | 15,869 | 14,354 | 13,521 | 14,307 | 71% | 58% | 49% | 37% |
| 3 | Pak Brunei | 4,751 | 725 | 620 | 830 | 50 | 55 | 55 | 5% | 3% | 0% | 0% |
| 4 | Saudi Pak | 8 | 8 | 510 | 2,446 | 2,912 | 1,953 | 3,704 | 4% | 9% | 10% | 5% |
| 5 | Pak Libya | 39 | 644 | 1,551 | 4,043 | 4,576 | 5,627 | 5,481 | 13% | 15% | 16% | 15% |
| 6 | Pak China | - | - | - | 512 | 0 | - | - | 0% | 2% | - | - |
| 7 | PAIR | 1,814 | 1,222 | 775 | 924 | 1,132 | 1,772 | 2,046 | 6% | 3% | 4% | 5% |
| Total | | 17,115 | 11,644 | 12,033 | 27,444 | 29,289 | 36,613 | 33,048 | | | | |
| <i>Growth YoY</i> | | <i>57%</i> | <i>-32%</i> | <i>3%</i> | <i>128%</i> | <i>7%</i> | <i>25%</i> | <i>-10%</i> | | | | |

- The sector's deposit mobilization grew by ~25% YoY in CY22. However, a decline of ~10% was observed in 1QCY23.
- PKIC and Pak Oman recorded the largest deposit portfolio among JVFI and accounted for ~37% of segment's total deposits in CY22.

JVFI | Equity

| Equity (PKR mln) | | | | | | | | |
|-------------------|------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|
| Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
| 1 | Pak Kuwait | 24,807 | 26,549 | 33,535 | 37,717 | 42,184 | 49,941 | 52,030 |
| 2 | Pak Oman | 8,123 | 8,143 | 8,353 | 9,083 | 8,756 | 8,700 | 7,179 |
| 3 | Pak Brunei | 10,658 | 9,960 | 10,549 | 10,733 | 10,232 | 10,003 | 9,261 |
| 4 | Saudi Pak | 12,205 | 12,649 | 13,003 | 12,912 | 14,459 | 14,044 | 13,747 |
| 5 | Pak Libya | 4,713 | 4,168 | 5,254 | 5,963 | 5,575 | 4,111 | 4,518 |
| 6 | Pak China | 14,668 | 15,361 | 16,632 | 17,482 | 18,172 | - | - |
| 7 | PAIR | 9,255 | 9,110 | 9,471 | 9,662 | 9,655 | 9,773 | 9,233 |
| Total | | 84,431 | 85,941 | 96,797 | 103,553 | 109,033 | 96,572 | 95,968 |
| <i>Growth YoY</i> | | <i>3%</i> | <i>2%</i> | <i>13%</i> | <i>7%</i> | <i>5%</i> | <i>-11%</i> | <i>-1%</i> |

- The industry's equity base (excluding Pak China) clocked in at PKR~96.5bln in CY22. Among the segment players, PKIC has the largest equity profile of PKR~50bln in CY22.

JVFI | Capital Adequacy

| Capital Adequacy Ratio | | | | | | | |
|------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 |
| 1 | Pak Kuwait | 41.3% | 42.6% | 36.6% | 34.0% | 24.5% | 19.7% |
| 2 | Pak Oman | 21.5% | 17.3% | 15.6% | 17.2% | 16.5% | 21.9% |
| 3 | Pak Brunei | 30.6% | 24.5% | 27.3% | 26.6% | 29.4% | 29.4% |
| 4 | Saudi Pak | 44.6% | 47.1% | 44.5% | 38.3% | 47.2% | 42.9% |
| 5 | Pak Libya | 31.5% | 17.7% | 18.2% | 24.7% | 24.0% | 16.7% |
| 6 | Pak China | 93.7% | 87.3% | 73.7% | 70.7% | 70.1% | - |
| 7 | PAIR | 59.3% | 52.4% | 58.0% | 55.8% | 49.5% | 33.5% |
| Average | | 46.1% | 41.3% | 39.1% | 38.2% | 38.6% | 27.4% |

| Equity / Total Assets | | | | | | | | |
|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
| 1 | Pak Kuwait | 85% | 89% | 51% | 35% | 31% | 6% | 5% |
| 2 | Pak Oman | 13% | 14% | 9% | 9% | 7% | 6% | 4% |
| 3 | Pak Brunei | 36% | 20% | 18% | 27% | 20% | 13% | 8% |
| 4 | Saudi Pak | 55% | 66% | 35% | 27% | 32% | 26% | 25% |
| 5 | Pak Libya | 25% | 20% | 18% | 16% | 14% | 3% | 2% |
| 6 | Pak China | 60% | 78% | 50% | 56% | 52% | - | - |
| 7 | PAIR | 52% | 49% | 44% | 45% | 39% | 30% | 27% |
| Average | | 46% | 48% | 32% | 31% | 28% | 14% | 12% |

- The average Capital Adequacy Ratio (CAR) of JVFI has shown a decrease in recent years, falling from ~46.1% in CY17 to ~27.4% in 1QCY23. However, CAR across segment players remains well above the minimum requirement of ~11.5% by the State Bank of Pakistan and global standard of ~10.5%.
- In addition, the equity-to-total assets ratio has declined from ~46% in CY17 to ~12% in 1QCY23.

JVFI | Profits

| Profit Before Tax (PKR mln) | | | | | | | | | Profit After Tax (PKR mln) | | | | | | | | |
|-----------------------------|------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|----------------------------|------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|
| Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 | Sr. | JVFI | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | 1QCY23 |
| 1 | Pak Kuwait | 2,594 | 3,515 | 5,768 | 7,818 | 9,508 | 13,995 | 4,786 | 1 | Pak Kuwait | 1,850 | 2,768 | 4,743 | 6,344 | 7,882 | 11,030 | 3,727 |
| 2 | Pak Oman | 745 | 749 | 682 | 1,337 | 651 | 501 | 363 | 2 | Pak Oman | 437 | 464 | 504 | 972 | 478 | 334 | 250 |
| 3 | Pak Brunei | 671 | 503 | 458 | 1,033 | 704 | 744 | 278 | 3 | Pak Brunei | 470 | 276 | 366 | 718 | 481 | 503 | 184 |
| 4 | Saudi Pak | 860 | 698 | 405 | 809 | 1,341 | 394 | 196 | 4 | Saudi Pak | 627 | 408 | 267 | 616 | 922 | 311 | 146 |
| 6 | Pak Libya | 84 | (261) | (277) | 460 | 42 | -218 | 309 | 5 | Pak Libya | 48 | (323) | (304) | 304 | 40.88 | -307 | 238 |
| 5 | Pak China | 970 | 912 | 1,066 | 1,166 | 1,414 | - | - | 6 | Pak China | 671 | 619 | 760 | 773 | 919 | - | - |
| 7 | PAIR | 368 | 11 | 394 | 506 | 254 | 654 | 221 | 7 | PAIR | 230 | (10) | 241 | 387 | 194 | 446 | 158 |
| Total | | 6,291 | 6,129 | 8,496 | 13,130 | 13,210 | 16,070 | 6,153 | Total | | 4,333 | 4,202 | 6,578 | 10,115 | 10,436 | 12,317 | 4,703 |
| <i>Growth YoY</i> | | <i>-38%</i> | <i>-3%</i> | <i>39%</i> | <i>55%</i> | <i>1%</i> | <i>22%</i> | <i>87%</i> | <i>Growth YoY</i> | | <i>-43%</i> | <i>-3%</i> | <i>57%</i> | <i>54%</i> | <i>8%</i> | <i>18%</i> | <i>80%</i> |

- The Profit Before Tax (PBT) grew by ~22% YoY from PKR~13.2bln in CY21 to PKR~16.0bln in CY22. Meanwhile the Profit After Tax (PAT) also increased ~18% YoY from PKR~10.4bln in CY21 to PKR~12.3bln in CY22.
- The average Return on Assets (ROA) of JVFI in CY22 decreased to ~0.7% (CY21: ~1.8%) Meanwhile, the average Return on Equity (ROE) exhibited a declining trend as well, clocking in at ~14% from ~28% during the preceding year.

Pakistan Microfinance Investment Company

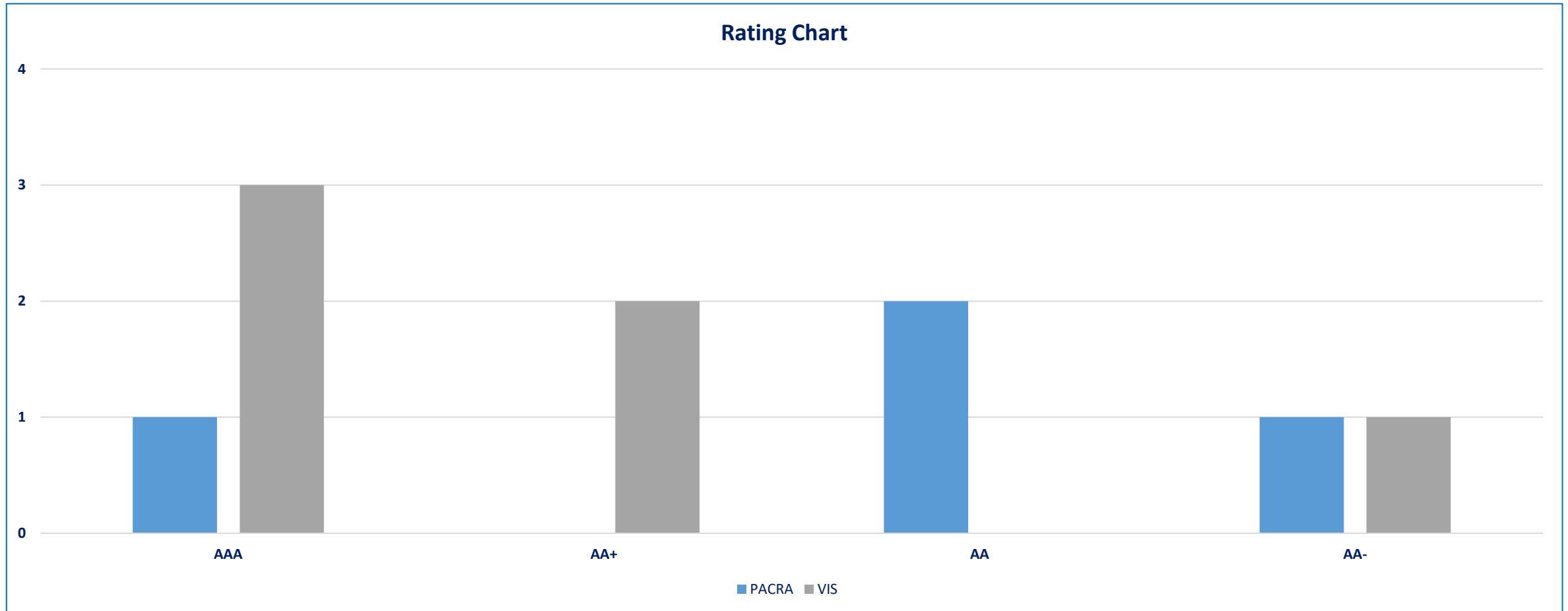
| Financial Position | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>PKR mln</i> | CY17 | CY18 | CY19 | CY20 | CY21 | 9MCY22 |
| Total Investment | 950 | 825 | 2,094 | 1,617 | 3,194 | 2,361 |
| Financing - Net | 11,381 | 20,533 | 22,823 | 22,365 | 12,058 | 17,196 |
| Cash & Bank Balances | 67 | 56 | 806 | 212 | 2,019 | 214 |
| Total Assets | 12,837 | 22,087 | 27,192 | 27,422 | 17,271 | 19,771 |
| Loans & Borrowings | - | 1,999 | 7,666 | 8,207 | 9,005 | 9,677 |
| Subordinated loans | 6,699 | 13,490 | 12,347 | 12,082 | 9,617 | 9,159 |
| Equity | 5,969 | 6,245 | 6,286 | 6,693 | 7,272 | 7,705 |
| Total Equity & Liabilities | 12,837 | 22,087 | 27,192 | 27,422 | 31,107 | 31,560 |

| Performance Indicators | | | | | | |
|------------------------|------|-------|-------|-------|-------|--------|
| <i>PKR mln</i> | CY17 | CY18 | CY19 | CY20 | CY21 | 9MCY22 |
| Revenue | 713 | 1,739 | 3,633 | 3,256 | 2,793 | 3,449 |
| PBT | 185 | 399 | 68 | 581 | 669 | 744 |
| PAT | 152 | 277 | 39 | 403 | 477 | 431 |

- 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 9MCY22, PMIC's profitability (PBT) increased by ~11.2%, compared to CY21, whereas Profit-after-Tax declined by ~9.6% during the same time period.
- Total assets of PMIC registered ~14.5% increase during 9MCY22, compared to CY21, whereas Net Financing increased by ~43% during the period under discussion.

Rating Chart

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



Outlook: STABLE

- During FY22, the country's economic recovery was exhibited by the GDP growth of ~6.0%. Among the contributors of GDP growth was industrial activity, which formed ~21.5% of GDP (at nominal prices) and grew by ~29.9% YoY. Moreover, the country's LSM activity also remained robust, registering ~11.5% increase YoY by End-Jun'22.
- The total Non-Performing Loans (NPLs) of JVFIs grew by ~7% during CY22 and stood at PKR~10.3bln as compared to PKR~9.7bln in CY21. During 1QCY23, the segment's total NPLs stood at PKR~10.7bln. The NPLs-to-Gross Advances ratio for CY22 decreased to ~13% during CY22. It further decreased to ~12% during 1QCY23.
- The sector's funding mix is largely tilted towards borrowings. Borrowings grew by a whopping ~252% in CY22 and stood at PKR~1,099bln at the end of CY22. For CY22, where borrowings formed ~98.6% of the total funding mix (CY21: ~91.4%), deposits formed just ~3.2% (CY21: ~8.6%). During 1QCY23, there was a further increase of ~26% in borrowings, amounting to PKR~1,386bln. This came despite sharp interest rate hikes by the SBP, in light of the monetary tightening undertaken to curb inflation. Going forward, no further hikes are expected in the interest rates in the short-term.
- The sector's profit-after-tax (PAT) increased by ~19% YoY during CY22 and clocked in at PKR~14bln as compared to PKR~12bln in CY21. The sector's total non-markup/interest income grew by ~5% during CY22 (CY21: ~11%).
- The asset base of JVFIs grew by ~171% in CY22 and stood at PKR~1,2477bln. The growth in total assets is largely attributable to increase in investments which is the largest component of total assets and constituted ~74% of JVFIs asset base as of End-Dec'22. Total assets registered a growth of ~23% during 1QCY23, as compared to CY22.

- State Bank of Pakistan (SBP)
- Pakistan Bureau of Statistics (PBS)
- PACRA Database
- JVFIs Financial Statements
- Organization for Economic Co-operation and Development (OECD)
- European Development Financial Institutions (EDFI)

| | | |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
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