



Non-Banking Finance Companies (NBFCs)

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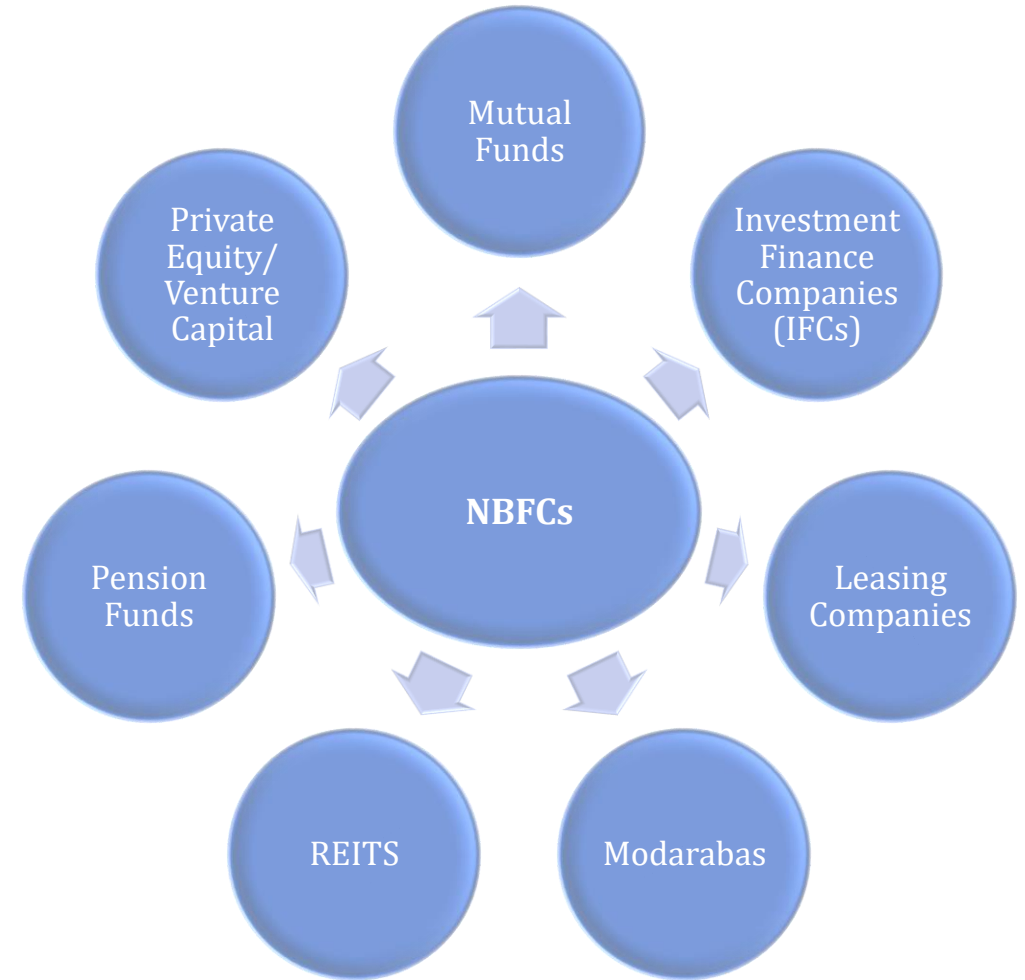
Introduction

Non-Banking Financial Companies (NBFCs), also known as Non-bank Financial Institutions (NBFIs), are financial institutions that offer various banking services but do not have a banking license.

Generally, these institutions are not allowed to take traditional demand deposits (checking and savings accounts). This is one of the reasons that NBFCs do not fall under the regulatory purview of the State Bank of Pakistan. However, these institutions mobilize funds from the general public and are regulated by the Securities and Exchange Commission of Pakistan (SECP).

The Sector mainly comprises the following -

- Mutual Funds
- Investment Finance Companies (IFCs)
- Pension Funds
- Insurance Companies
- Other Financial Intermediaries (OFIs) - OFIs include all financial intermediaries that are not central banks, banks, public financial institutions, or financial auxiliaries. They mainly include investment funds, captive financial institutions and money lenders, central counterparties, broker-dealers, trust companies, Fintech and structured finance vehicles.



Non-Banking Finance Companies

Global | Overview

- NBFCs play an increasingly important role in providing financing to the real economy, as well as in managing the savings of households and corporate entities.
- In CY24, the value of total global financial assets increased by ~7.1% YoY to USD~503.7Tn (CY23: USD~470.4Tn). This was largely attributed to the NBFCs Sector, where total financial assets rose by ~9.4% YoY, while banks experienced a YoY increase of ~4.7% in their financial assets.
- In CY24, global financial assets included NBFCs (USD~256.8Tn), Banks (USD~191.3Tn), Central Banks (USD~34.1Tn) and Public Financial Institutions (USD~21.5Tn).
- The global NBFC Sector is expected to sustain its growth trajectory, however, rising interconnectedness between banks and non-bank entities, growing private credit activity and increasing leverage among finance companies and broker-dealers are emerging as key vulnerabilities that regulators will need to monitor closely in the period ahead.

Global Assets NBFCs sub-sectors (CY24)	Share (%)	Size (USD Tn)
Other Investment Funds*	26.9%	69.1
Pension Funds (PFs)	17.2%	44.1
Insurance Corporations (ICs)	15.1%	38.9
Captive Financial Institutions and Money Lenders (CFIMLs)	10.4%	26.8
Broker-Dealers (BDs)	4.9%	12.7
Money Market Funds (MMFs)	4.7%	12.1
Hedge Funds (HFs)	4.4%	11.3
Finance Companies	2.9%	7.5
Structured Finance Vehicles (SFVs)	2.5%	6.5
Trust Companies	1.9%	4.9
Real Estate Investment Trusts (REITs)	1.5%	3.8
Central Counterparties (CCPs)	0.2%	0.6
Others	7.2%	18.5
Total NBFCs	100.0%	256.8

*Note: * Includes equity funds, fixed income funds and other funds such as mixed funds, referenced investment funds, external debt investment funds, currency funds, asset allocation funds.*

Non-Banking Finance Companies

Local Macro Economic Indicators | Annual

Monetary Sector	FY16	FY17	FY18	FY19	FY20	5-Year Avg	FY21	FY22	FY23	FY24	FY25	5-Year Avg	9MFY25	9MFY26
Avg. Inflation Rate (%)	2.9%	4.2%	3.9%	7.3%	10.7%	5.8%	8.9%	11.4%	29.2%	23.4%	4.5%	15.5%	5.3%	5.7%
Avg. KIBOR (%)	6.5%	6.1%	6.4%	10.4%	12.0%	8.3%	7.4%	10.8%	18.3%	21.9%	13.9%	14.5%	14.6%	10.9%
Monetary Policy Rate (period-end)	5.8%	5.8%	6.5%	12.3%	7.0%	7.5%	7.0%	13.8%	22.0%	20.5%	11.0%	14.9%	12.0%	10.5%
Avg. PKRV (%)	6.3%	6.0%	6.3%	10.2%	11.8%	8.1%	7.3%	10.7%	18.1%	21.7%	13.6%	14.3%	14.3%	10.8%
Avg. Exchange Rate (USD/PKR)	104.4	104.8	110.1	136.5	158.4	122.8	160.5	191.9	247.7	283.2	279.3	232.5	278.6	281.0
External Sector	FY16	FY17	FY18	FY19	FY20	5-Year Avg	FY21	FY22	FY23	FY24	FY25	5-Year Avg	9MFY25	9MFY26
<i>USD Mn</i>														
Current Account Balance	-4,961	-12,270	-19,195	-13,434	-2,970	-10,566	-1,852	-17,481	-3,276	-1,695	1,838	-4,493	1,674	8
Exports	21,972	22,003	24,768	24,257	22,536	23,107	25,304	31,782	27,724	30,675	32,040	29,505	30,994	30,076
Imports	41,118	48,001	55,671	51,869	43,645	48,061	56,380	80,136	55,198	54,779	58,363	60,971	55,971	60,032
Trade Balance	-19,146	-25,998	-30,903	-27,612	-21,109	-24,954	-31,076	-48,354	-27,474	-24,104	-26,323	-31,466	-24,977	-29,956
FX Reserves	23,099	21,403	16,384	14,482	18,886	18,851	24,398	15,537	9,160	13,996	19,269	16,472	15,014	21,332

Note: Trade data includes Goods and Services; FX Reserves are SBP Gross Reserves.

Non-Banking Finance Companies

Local Macro Economic Indicators | Monthly

Monetary Sector	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Avg. Inflation (%) (Headline CPI)	2.4%	1.5%	0.7%	0.3%	3.5%	3.2%	4.1%	3.1%	5.8%	6.2%	6.1%	5.6%	5.8%	7.0%	7.3%
Avg. KIBOR (%)	11.9%	11.8%	12.0%	12.1%	11.5%	11.2%	11.0%	11.1%	11.1%	11.2%	11.2%	10.9%	10.4%	10.6%	11.1%
Monetary Policy Rate (%) (period-end)	12.0%	12.0%	12.0%	12.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	10.5%	10.5%	10.5%	10.5%
Avg. PKRV (%)	11.7%	11.7%	11.8%	11.9%	11.3%	11.0%	10.8%	10.8%	10.9%	11.0%	11.0%	10.7%	10.1%	10.4%	11.1%
Avg. Exchange Rate (USD/PKR)	278.8	279.4	280.1	280.7	281.7	283.1	284.2	282.2	281.5	281.1	280.7	280.3	280.0	279.6	279.3
External Sector	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
<i>(USD Mn)</i>															
Current Account Balance	-399	-97	1,275	-12	-44	220	-529	-324	116	-347	-5	-272	68	231	1,070
Exports	3,643	3,204	3,370	2,890	3,401	3,191	3,408	3,094	3,305	3,659	3,227	3,213	3,931	3,088	3,167
Imports	6,282	5,762	5,772	6,499	6,107	5,692	6,832	6,427	6,859	7,135	6,280	7,430	6,955	6,200	5,921
Trade Balance	-2,639	-2,558	-2,402	-3,609	-2,706	-2,501	-3,424	-3,333	-3,554	-3,476	-3,053	-4,217	-3,024	-3,112	-2,754
FX Reserves	15,599	15,397	15,014	14,759	16,077	19,270	18,976	19,077	18,904	19,174	19,136	20,746	20,972	21,060	21,332

Note: Trade data includes Goods and Services; FX Reserves are SBP Gross Reserves.

Source: SBP, PBS

Non-Banking Finance Companies

Local | Overview

- In FY25, Pakistan's GDP (nominal) stood at PKR~113.8tn (FY24: PKR~105.2tn) and grew, in real terms, by ~3.1% (FY24: ~2.6% growth). The Country's real GDP during FY26 is forecasted to grow by ~3.6% YoY, as per the IMF, depicting improved economic activity.
- During 2QFY26, the economy expanded by 3.9% YoY (2QFY25: ~2.2% YoY), driven primarily by Industry (7.4%), with further support from Services (3.7%) and Agriculture (1.8%). This stabilization in the economy has provided a conducive operating environment for NBFCs, with the Sector's total asset base growing at a considerably faster pace than nominal GDP over the same period. The recent geopolitical events have created uncertainty.

Sector-wise Total Assets (PKR Bn)	FY23	FY24	FY25	6MFY25	6MFY26
Mutual Funds & Plans	1,676	2,708	3,933	4,439	4,537
Discretionary & Non-Discretionary Portfolios	477	576	776	712	992
Non-Banking Microfinance Companies	184	196	297	321	410
Investment Finance Companies (IFCs)	129	116	134	292	339
Real Estate Investment Trusts/ Companies	286	175	210	190	235
Pension Funds	50	76	111	96	136
Asset Management Companies	52	65	93	79	108
Modarabas	52	50	61	57	68
Private Equity & Venture Capital	9	8	10	11	10
Leasing Companies	6	7	5	7	5
Others	1	1	5	0	4
Total	2,922	3,978	5,635	6,204	6,844

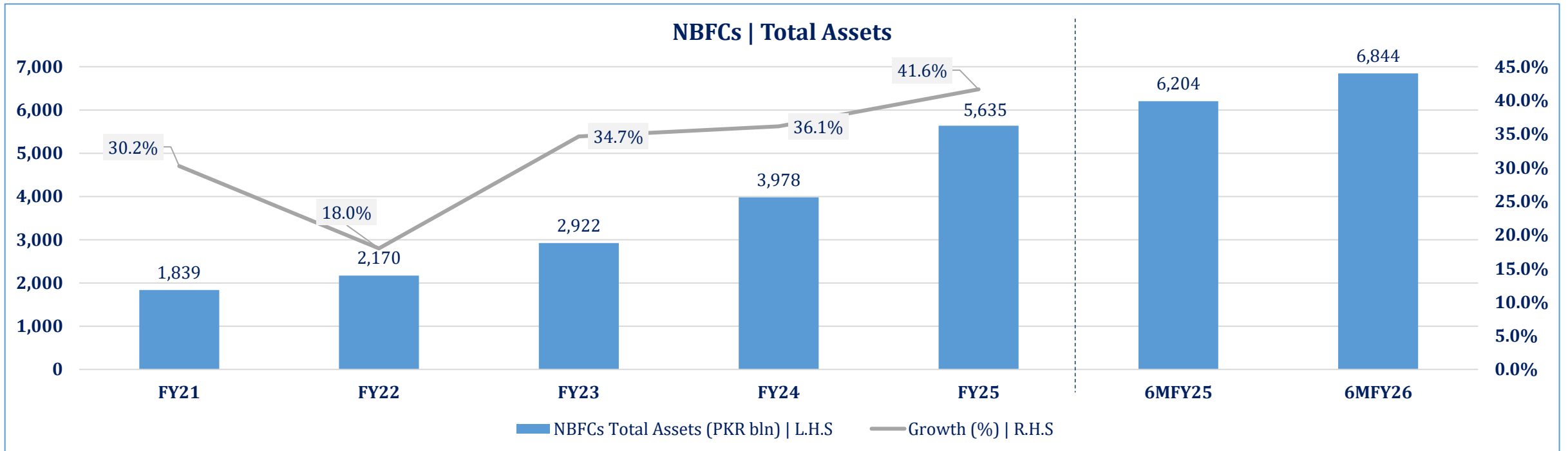
NBFCs Sectoral Breakdown ⁸	No. of Licensed Entities Dec'24	No. of Licensed Entities Dec'25
Mutual Funds & Plans	403	409
Real Estate Investment Trust/ Companies	47	63
Pension Funds	45	62
Investment Finance Companies (IFCs)	38	45
Non-Banking Microfinance Companies	39	42
Asset Management Companies	28	29
Modarabas	20	20
Private Equity & Venture Capital	7	20
Leasing Companies	4	3
Discretionary & Non-Discretionary Portfolios	0	0
Others	19	22
Total	650	715

Note: Others consist of Private Fund Managers, Discounting & Housing Finance Companies

Non-Banking Finance Companies

Local | Total Assets

- Total assets of NBFCs have grown from PKR~3,978Bn in FY24 to PKR~5,635Bn as at FY25, recording a YoY growth of ~41.6%. This increase majorly came on the back of ~45.2% growth in mutual funds & plans for the period as PSX performed well (~60.5% return in FY25) and favorable tax on income funds compared to bank deposits. As of 6MFY26, the total assets increased to PKR~6,844Bn (6MFY25: PKR~6,204Bn). Going forward, while the growth momentum may slow significantly given geo-political situation and resultant uncertainty that has affected capital markets. However, continued investor preference for professionally managed savings products, particularly mutual funds, is expected to support the sector. Further hike in interest rates may shift investor preference towards interest bearing investments.
- For 6MFY26, the mutual funds & plans had the highest share of ~66.3%% in NBFCs, followed by discretionary & non discretionary portfolios at ~14.5%. Non-Banking Microfinance Companies (NBMFCs) for the period recorded a share of ~6.0%.



Non-Banking Finance Companies

Total Assets | Shariah-Compliant vs. Conventional

- Between FY24 and FY25, Conventional assets rose from PKR~2,414Bn to PKR~3,587Bn (~48.6% YoY growth), while Shariah-compliant assets grew from PKR~1,564Bn to PKR~2,048Bn (~30.9% YoY growth).
- On a half-year basis, Conventional assets moved from PKR~4,001Bn to PKR~4,370Bn (~9.2% YoY growth), while Shariah-compliant assets increased from PKR~2,203Bn to PKR~2,475Bn (~12.3% YoY growth).
- The Conventional-to-Shariah split has held steady at ~64% (Conventional) & ~36% (Shariah-Compliant) for 6MFY26, unchanged from 6MFY25.

Asset Types (PKR Bn)	FY21	FY22	FY23	FY24	FY25	6MFY25	6MFY26
Conventional	1,276	1,545	1,844	2,414	3,587	4,001	4,370
Shariah-Compliant	568	626	1,078	1,564	2,048	2,203	2,475
Total Assets	1,844	2,171	2,922	3,978	5,635	6,204	6,844
Conventional (%)	69%	71%	63%	61%	64%	64%	64%
Shariah-Compliant (%)	31%	29%	37%	39%	36%	36%	36%

Non-Banking Finance Companies

Segment-wise Assets

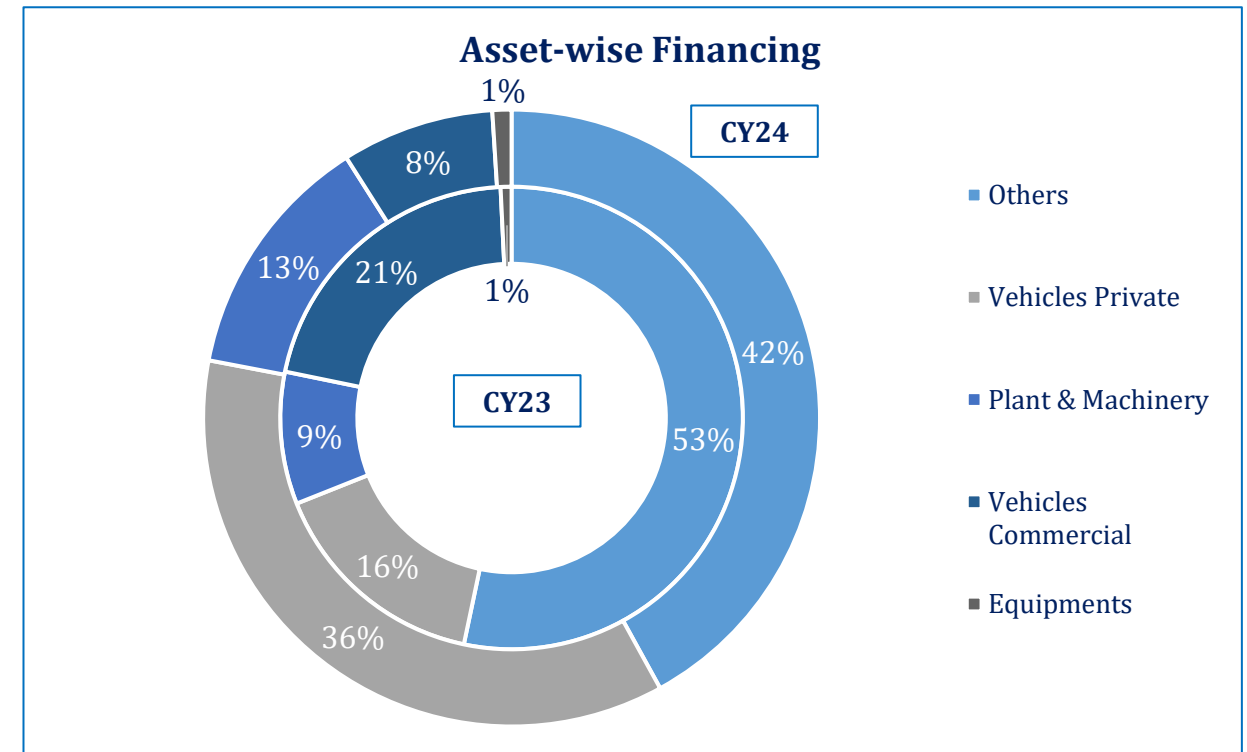
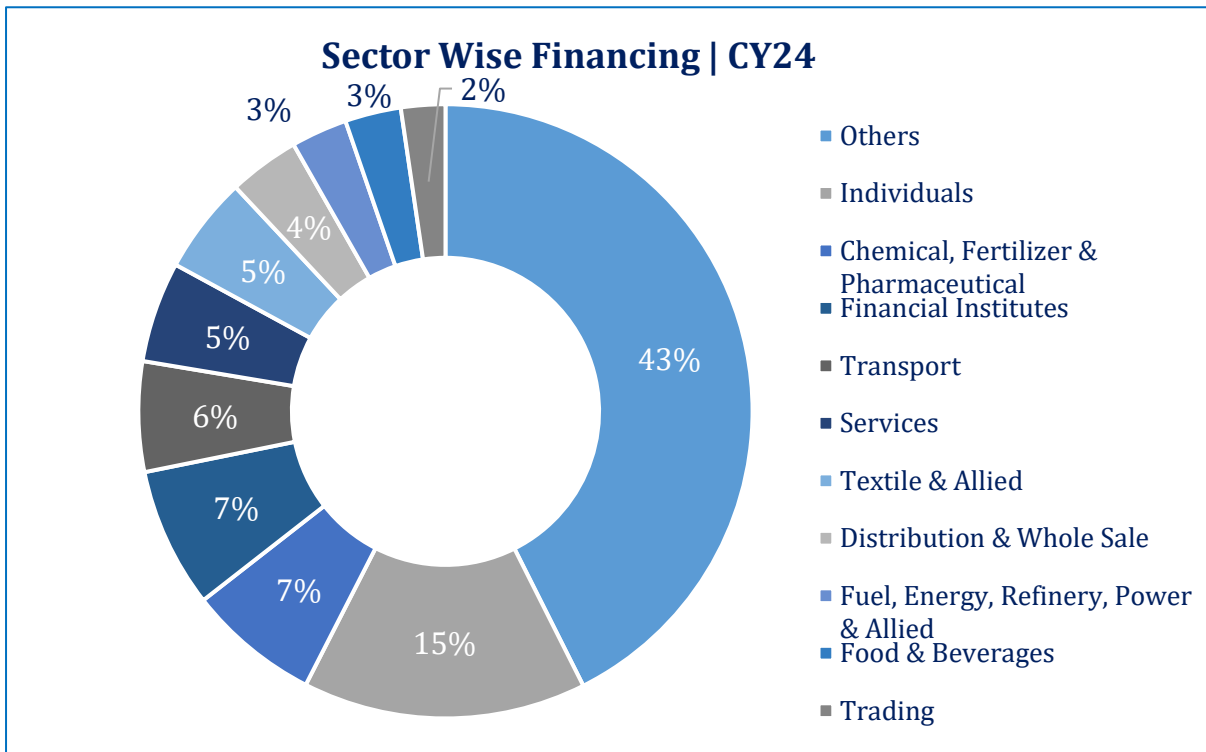
Type	FY24			FY25			6MFY25			6MFY26		
	No of Entities	Assets (PKR Bn)	Assets Share	No of Entities	Assets (PKR Bn)	Assets Share	No of Entities	Assets (PKR Bn)	Assets Share	No of Entities	Assets (PKR Bn)	Assets Share
NBFCs	39	196	4.9%	41	297	5.3%	39	321	5.2%	42	410	6.0%
Investment Finance Companies	36	116	2.9%	41	134	2.4%	38	292	4.7%	45	339	5.0%
Modarabas	19	50	1.3%	20	61	1.1%	20	57	0.9%	20	68	1.0%
Leasing Companies	5	7	0.2%	3	5	0.1%	4	7	0.1%	3	5	0.1%
Lending Institutions Sub-Total	99	368	9.3%	105	497	8.8%	101	677	10.9%	110	822	12.0%
Mutual Funds	371	2,708	68.1%	369	3,933	69.8%	403	4,439	71.6%	409	4,537	66.3%
Discretionary & Non-Discretionary Portfolios	0	576	14.5%	0	776	13.8%	0	712	11.5%	0	992	14.5%
Real Estate Management Cos/Trusts	43	175	4.4%	48	210	3.7%	47	190	3.1%	63	235	3.4%
Pension Funds	45	76	1.9%	47	111	2.0%	45	96	1.6%	62	136	2.0%
Asset Management Companies	29	65	1.6%	28	93	1.7%	28	79	1.3%	29	108	1.6%
Private Equity	7	8	0.2%	7	10	0.2%	7	11	0.2%	20	10	0.1%
Fund Management Institutions Sub-Total	495	3,608	90.7%	499	5,133	91.1%	530	5,527	89.1%	583	6,018	87.9%
Others	18	1	0.0%	21	5	0.1%	19	0	0.0%	22	4	0.1%
NBFCs Total	612	3,978	100%	625	5,635	100%	650	6,204	100%	715	6,844	100.0%

Note: Others consist of Private Fund Managers, Discounting & Housing Finance Companies

Non-Banking Finance Companies

Financing | Asset & Sector-wise

- During CY24, total fresh financing disbursements by NBFCs stood at PKR ~81.5Bn, of which PKR ~47.0Bn, or ~57.7%, was directed towards the SME sector. During the same period, NBFCs served ~174,147 customers, with the customer base largely concentrated in urban areas at ~170,841 customers, while rural customers stood at 3,176, indicating significant scope for expanding rural outreach. NBFCs mainly cater to segments that are not traditionally a focus of banks.
- Of the total PKR ~111Bn lending exposure of NBFCs to the SME sector, the largest share was concentrated in the segment classified as “Others”, with an exposure of PKR ~47Bn. This was followed by Individuals (PKR ~17Bn), Financial Institutions (PKR ~8Bn), and Chemicals & Fertilizers (PKR ~7.7Bn), indicating a relatively high concentration of SME lending within the top segments.



Non-Banking Finance Companies

Exchange Companies | Overview

- The market size of Exchange Companies in Pakistan may be assessed on the basis of workers’ remittance inflows and the overall magnitude of the external sector, including imports, exports, remittances, and domestic services. However, the trade related activities (imports, exports etc.) are handled by the commercial banks.
- All licensed Exchange Companies in Pakistan, whether bank-backed or non-bank-backed, operate under the same regulatory regime administered by the State Bank of Pakistan’s Exchange Policy Department. The State Bank of Pakistan’s Regulatory Framework for Exchange Companies (RFEC) applies to exchange companies authorized under Section 3AA of the Foreign Exchange Regulation Act, 1947.

Exchange Market Size (USD Mn)	CY24	CY25	3MCY25	3MCY26
Remittances	34,662	40,189	10,184	10,583
Import of Goods	55,651	62,617	15,470	15,143
Export of Goods	32,150	31,532	8,377	7,751
Import Services	11,330	12,035	2,833	2,998
Export Services	8,141	9,086	2,147	2,582
Total	141,934	155,459	39,011	39,057

Non-Banking Finance Companies

Exchange Companies | Licensed Exchange Companies Pakistan (Bank-Backed & Non-Bank-Backed)

LICENSED EXCHANGE COMPANIES		
Sr.	BANK BACKED	NON-BANK BACKED
1	MCB Exchange Company (Pvt.) Ltd.	A A Exchange Company (Pvt.) Ltd.
2	Askari Currency Exchange (Pvt.) Ltd.	Al-Rahim Exchange Company (Pvt.) Ltd.
3	ABL Exchange (Pvt.) Ltd.	D.D Exchange Company (Pvt.) Ltd.
4	AL Habib Exchange Company (Pvt.) Ltd.	Dollar East Exchange Company (Pvt.) Ltd.
5	Alfalah Currency Exchange (Pvt.) Ltd.	Fairdeal Exchange Company (Pvt.) Ltd.
6	BOP Exchange (Pvt.) Ltd.	H & H Exchange Company (Pvt.) Ltd.
7	BIPL Exchange Company (Private) Limited	Habib Qatar International Exchange Pakistan (Pvt.) Ltd.
8	Faysal Islami Currency Exchange Company (Pvt.) Ltd.	Islamabad Exchange Company (Pvt.) Ltd.
9	HBL Currency Exchange (Pvt.) Ltd.	Link International Exchange Company (Pvt.) Ltd.
10	Habib Metro Exchange Services Limited	ZeeQue Exchange Company (Pvt.) Ltd.
11	UBL Currency Exchange (Pvt.) Ltd.	Pakistan Currency Exchange Company (Pvt.) Ltd.
12	Meezan Exchange Company (Pvt.) Ltd.	Paracha International Exchange (Pvt.) Ltd.
13	NBP Exchange Company Ltd.	Paragon Exchange (Pvt.) Ltd.
14		Ravi Exchange Company (Pvt.) Ltd.
15		Royal International Exchange Company (Pvt.) Ltd.
16		Sadiq Exchange Company (Pvt.) Ltd.
17		Sky Exchange Company (Pvt.) Ltd.
18		Time Exchange Company (Pvt.) Ltd.
19		Union Exchange Company (Pvt.) Ltd.
Total		32

Non-Banking Finance Companies

Exchange Companies | Regulations and Governance

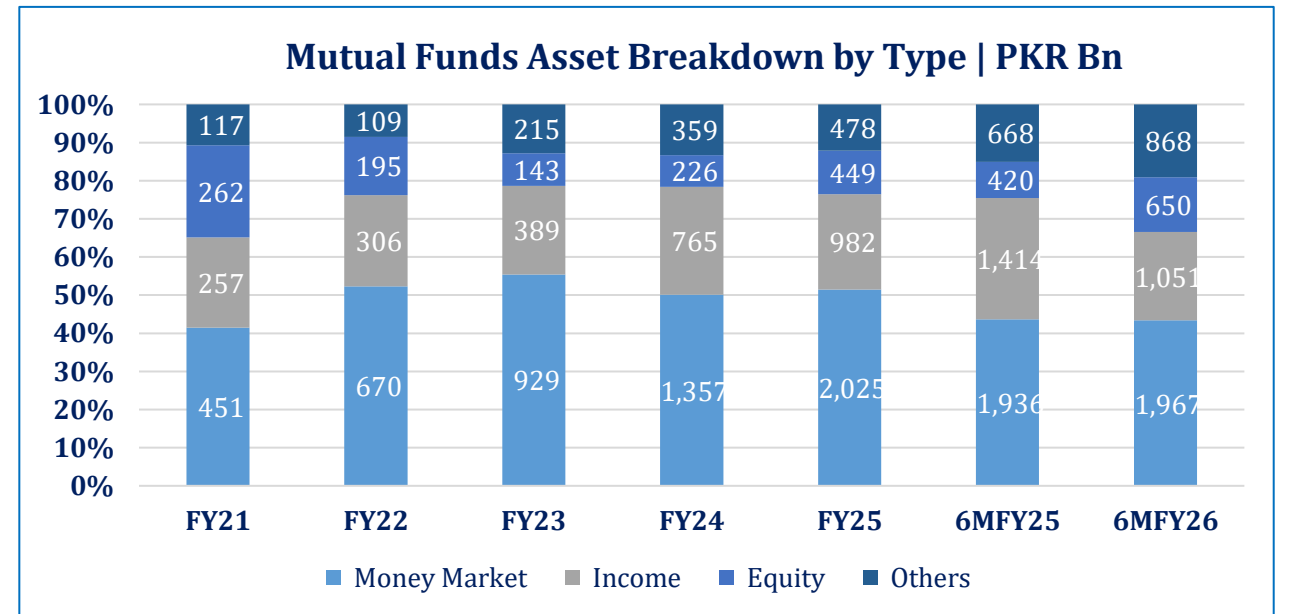
- The State Bank of Pakistan’s regulatory approach for the exchange company Sector is increasingly focused on formalization, enhanced governance standards, and stronger capitalization. Under the Regulatory Framework for Exchange Companies (RFEC), the minimum paid-up capital requirement has been set at PKR ~1.0Bn, to be achieved through phased milestones over the period 2025–2027. Exchange Companies with capital shortfalls are required to comply with the following transitional thresholds: PKR ~600Mn by December 31, 2025; PKR ~800Mn by December 31, 2026; and PKR ~1.0Bn by December 31, 2027. In addition, exchange companies are required to maintain a Minimum Capital Requirement (MCR) of PKR ~1.0Bn on an ongoing basis.
- The MCR is calculated as paid-up capital adjusted for share-related reserves (where applicable) and unappropriated profits or accumulated losses.
- These regulatory reforms are expected to strengthen the overall resilience and transparency of the Sector. At the same time, higher capital and compliance requirements may favor entities with stronger financial capacity, including sponsors with established institutional backing. Furthermore, the regulatory emphasis on compliance, capitalization, and digitalization may indirectly benefit bank-backed Exchange Companies, which can leverage operational synergies, direct account settlement mechanisms, and established brand recognition.
- Exchange Companies generally compete in segments of the foreign exchange and remittance value chain where they possess structural strengths, while Commercial Banks have traditionally dominated account-based and foreign trade-related flows. Recent regulatory developments have reduced this distinction. In particular, the SBP has permitted Exchange Companies to integrate with the Raast payment system, enabling remittance beneficiaries to receive funds directly into digital wallets. This development mitigates a traditional competitive advantage held by Commercial Banks in account crediting and enhances the competitiveness of Exchange Companies in the remittance payout segment.

Non-Banking Finance Companies

Mutual Funds | Overview

- A Mutual Fund is a professionally managed investment vehicle that pools capital from multiple investors and deploys it across a diversified portfolio of securities (equities, fixed-income instruments, money market instruments) in accordance with a defined investment mandate and risk profile.
- As of 6MFY26, Mutual Funds held the highest share of ~66.3% in overall NBFCs assets, amounting to PKR~4,537Bn. The total number of Mutual Funds & Plans has increased from ~403 to ~409 during this period.
- Money Market funds remained the dominant category at PKR~1,967Bn (~43.4% of total), broadly unchanged from PKR 1,936 Bn (~43.6%) in 6MFY25.
- Income funds posted the most notable half-yearly movement, contracting from PKR ~1,414Bn to PKR ~1,051Bn, reflecting a decline of ~25.7% YoY, due to reduction in interest rates. Meanwhile, Equity funds increased to PKR ~650Bn from PKR ~420Bn in the SPLY, primarily supported by strong PSX performance and significant interest rate cuts.

Description	FY21	FY22	FY23	FY24	FY25	6MFY25	6MFY26
Total AUMs (PKR Bn)	1,087	1,281	1,676	2,708	3,933	4,439	4,537
YoY Growth	36%	18%	31%	62%	45%	-	2%
Mutual Funds & Plans (No.)	282	290	340	371	369	403	409



Non-Banking Finance Companies

Mutual Funds | Net Sales

- Net sales in the mutual funds were positive in CY25. Total sales were PKR ~11,463Bn against redemptions of PKR ~10,480Bn, resulting in net inflows of PKR ~984Bn.
- Shariah-compliant money market funds recorded the highest net inflows of PKR ~301Bn, followed by conventional money market funds (PKR ~236Bn), indicating continued investor preference for low-risk and liquid investment avenues.
- Other fund categories contributed relatively smaller net inflows, including equity funds (PKR ~34Bn), Shariah-compliant equity funds (PKR ~32bn), and income schemes (PKR ~51bn), while VPS and Shariah-compliant income funds recorded modest net additions during the period.
- The Segment remained highly transaction-heavy during CY25, with redemptions representing ~91% of total sales, indicating that while gross investor activity remained strong, a large portion of flows continued to be short-tenor and liquidity-driven rather than long-term asset allocation.
- A notable observation is the sizeable contribution from the “Other” category, which recorded net inflows of PKR ~308Bn. This suggests that investor allocations were not limited to traditional money market and income products, and may also reflect demand for specialized or alternative fund structures depending on return opportunities available in the market.
- Equity-oriented funds, despite strong PSX performance, attracted relatively limited net inflows compared to money market categories. This indicates that Pakistani mutual fund investors remained relatively risk-averse, with equity participation improving but still not translating into a major shift away from low-risk products.
- Overall, the flow pattern suggests that the mutual fund industry’s growth in CY25 was primarily supported by liquidity management needs, institutional placements, and preference for capital preservation, rather than a broad-based shift towards long-duration or high-risk investment products.

Net Sales (PKR Bn)	CY25			
	Open End	Sales	Redemptions	Net Sales
Money Market		2,813	2,577	236
Income Scheme		1,437	1,385	51
Equity		170	136	34
Shariah-Compliant Money Market		3,687	3,387	301
Shariah-Compliant Income		1,783	1,722	11
Shariah-Compliant Equity		257	224	32
Other		1,225	970	308
VPS		91	79	11
Total		11,463	10,480	984

Non-Banking Finance Companies

Mutual Funds | Account-wise Investment Breakdown

- The number of active investor accounts having greater than zero balance, as of End-Dec'25, recorded at ~844,919 (SPLY: ~691,113), representing ~53.6% (SPLY: ~54.7%) of total investor accounts.
- Meanwhile, the number of investor accounts having zero balance as of End-Dec'25 stood at ~730,014. The total number of investor accounts therefore for the period recorded at ~1,574,933.
- For the period, Other Corporates and Individuals each accounted for ~39% of total mutual fund investment value (PKR~1,754Bn & PKR~1,733Bn, respectively), while retirement funds, Associated Banks/DFIs/AMCs & Insurance Companies recorded shares of ~9%, ~5% & ~4% respectively.

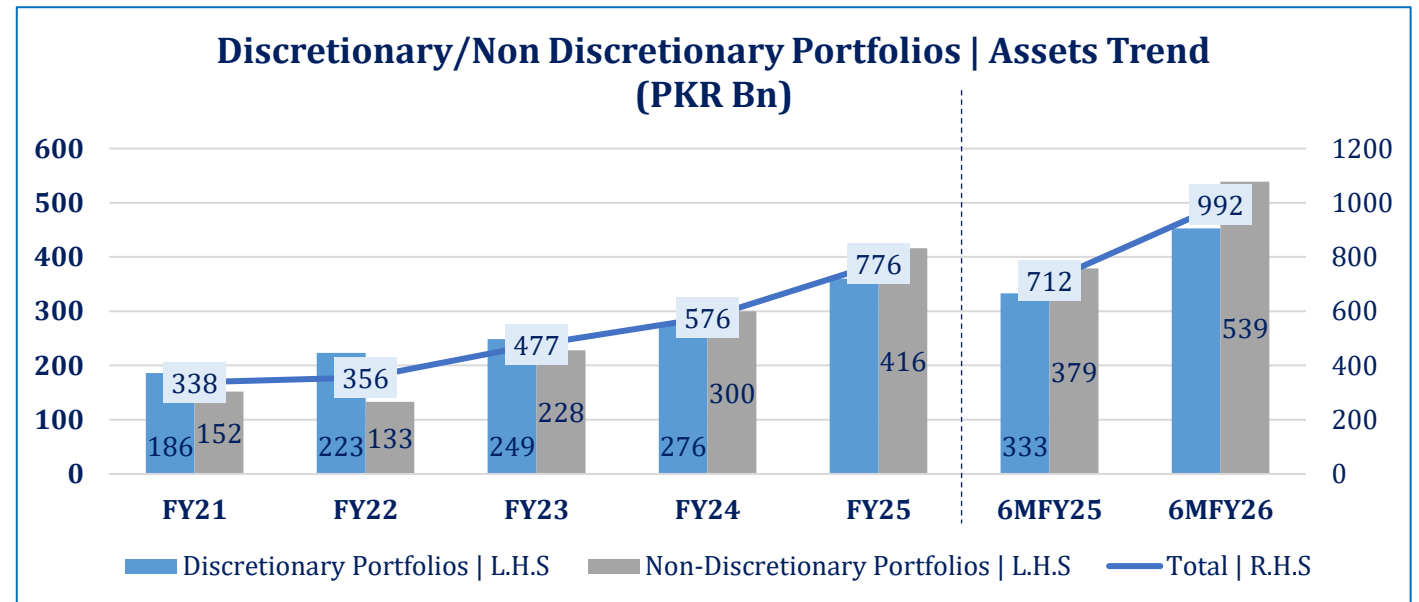
Description	No. of Active Investor Accounts as at Dec'25	Value of Investment as at Dec'25 PKR Bn	% of total Investment Value
Resident			
Other Corporates	6,669	1,754	39%
Individuals	821,806	1,733	39%
Retirement Funds	3,223	381	9%
Associated Banks/DFIs & AMCs	124	230	5%
Insurance Companies	448	185	4%
Trusts/NGOs etc.	1,587	86	2%
Other Banks/DFIs	179	35	1%
Funds of Funds	46	22	0%
Other Financial Institutions	144	22	0%
Foreign			
Individuals	10,678	17	0%
Non-Individuals	15	0	0%
Total	844,919	4,465	100%

Non-Banking Finance Companies

Discretionary/Non-Discretionary Portfolios

- Under discretionary portfolios, the portfolio manager has full authority to make all investment decisions independently (including buying, selling, and managing funds and securities) without needing prior approval or instruction from the client.
- Under non-discretionary portfolios, the portfolio manager does not make investment decisions independently. Instead, the manager acts strictly on the instructions of the client (executing trades and managing funds) only as directed.
- These portfolios cumulatively held the second-highest weight, i.e., ~14.5% in the NBFCs Sector with total assets under management amounting to PKR ~992Bn as of 6MFY26 (SPLY: PKR ~712Bn).
- Between 6MFY25 and 6MFY26, both discretionary and non-discretionary portfolios recorded strong growth, expanding from PKR~333Bn to PKR~453Bn (~36.0% YoY) and PKR~379Bn to PKR~539Bn (~42.2% YoY).

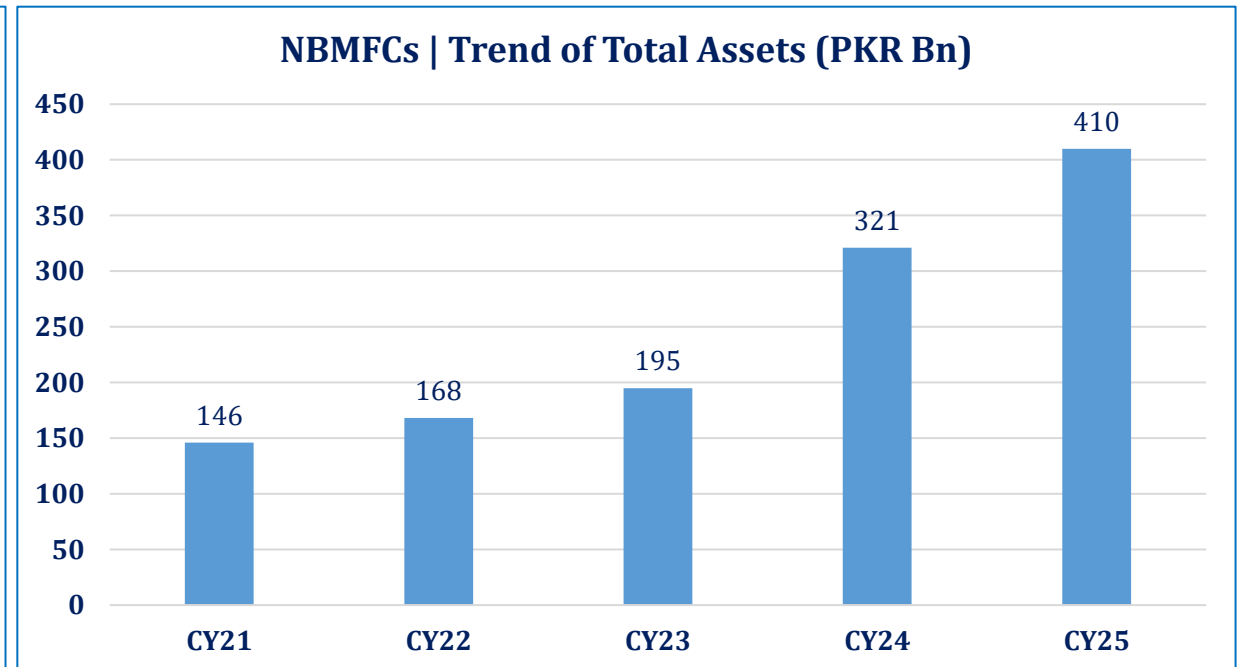
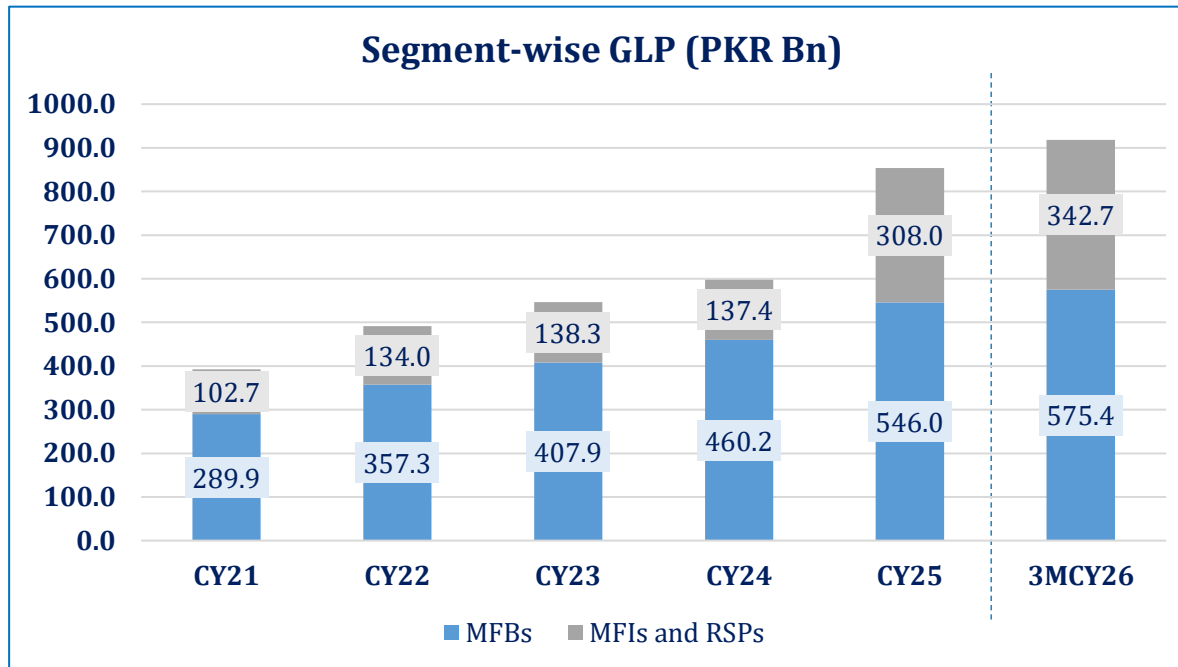
Assets (PKR Bn)	FY21	FY22	FY23	FY24	FY25	6MFY25	6MFY26
Discretionary Portfolios	186	223	249	276	360	333	453
Non-Discretionary Portfolios	152	133	228	300	416	379	539
Total	338	356	477	576	776	712	992



Non-Banking Finance Companies

Microfinance | Gross Loan Portfolio

- Non-Banking Microfinance Companies (NBMFCs) held the third-highest weight by assets in the NBFs Sector, contributing ~5% to the Sector's total assets as at CY25. In the period under review, there are ~42 licensed NBMFCs providing services in the Country, having assets worth PKR ~410.0Bn (CY24: PKR ~321.0Bn).
- As of CY25, lending by Microfinance Banks (MFBs) stood at PKR~546.0Bn (SPLY: PKR~460.2Bn), making up ~63.9% of the segment's total GLP. MFIs and RSPs' GLP surged ~124.1% YoY to PKR ~308.0 Bn (CY24: PKR ~137.4 Bn), largely driven by Akhuwat Microfinance (~73% of incremental growth) on account of higher housing loan disbursements under schemes introduced in Punjab. For 3MCY26, GLP for MFBs recorded at PKR~575.4Bn, while MFIs & RSPs GLP stood at PKR~342.7Bn.

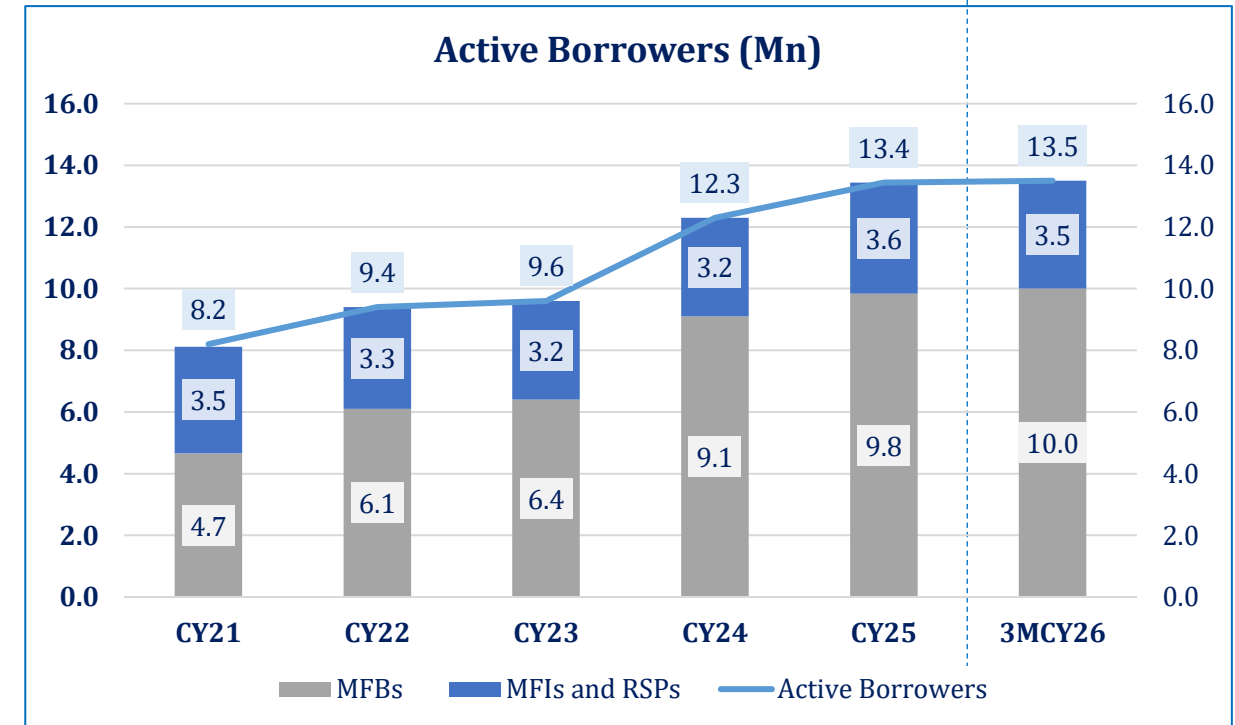
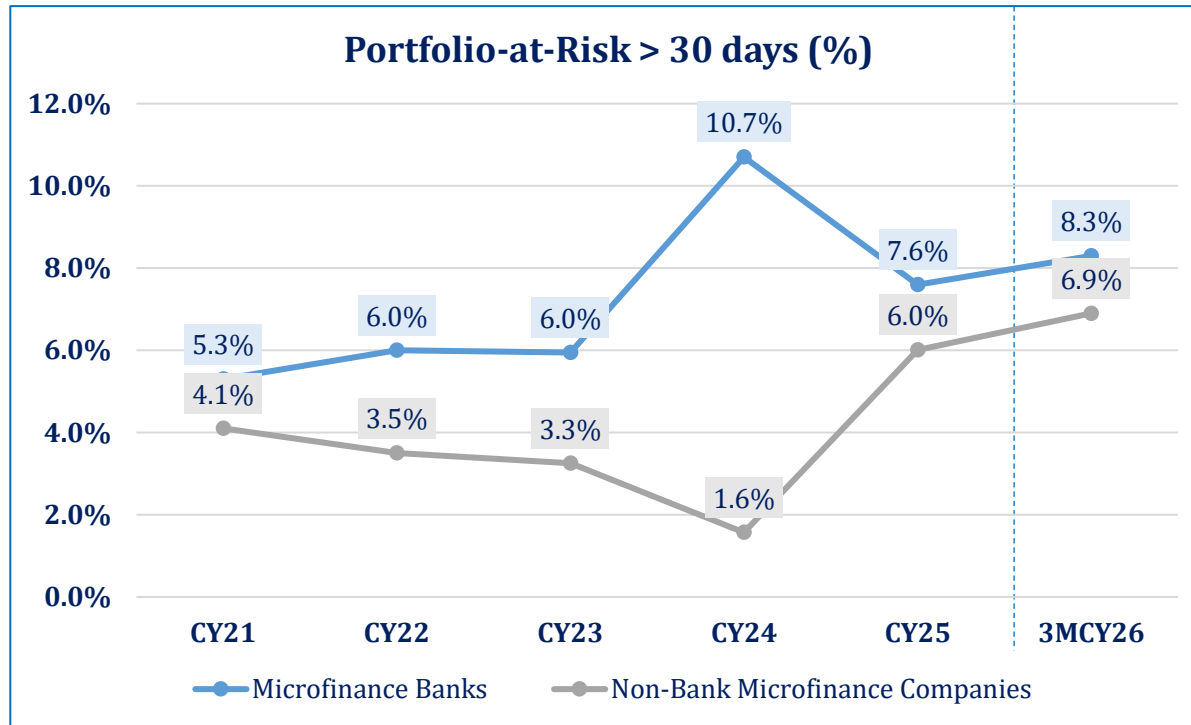


*Non-Bank Microfinance Companies data includes RSPs.

Non-Banking Finance Companies

Microfinance | Borrowers & Portfolio-at-Risk

- Between CY24 and CY25, the PAR>30 of Microfinance Banks improved from a peak of ~10.7% to ~7.6%, while Non-Bank Microfinance Companies recorded a sharp deterioration from ~1.6% to ~6.0%. This rise in PAR>30 for NBMFCs reflects a sizeable increase in defaults, driven by larger average loan obligations, sector's aggressive GLP expansion, particularly in housing finance. As of 3MCY26, PAR>30 for Microfinance Banks stood at ~8.3%, while Non-Bank Microfinance Companies recorded ~6.9%
- Between CY24 and CY25, total active borrowers expanded from ~12.3 Mn to ~13.4 Mn, with MFBs growing from ~9.1 Mn to ~9.8 Mn and MFIs & RSPs increasing from ~3.2 Mn to ~3.6 Mn, reflecting continued outreach momentum across both segments. As of 3MCY26, total active borrowers stood at ~13.5 Mn, with MFBs accounting for ~10.0 Mn and MFIs & RSPs contributing ~3.5 Mn.

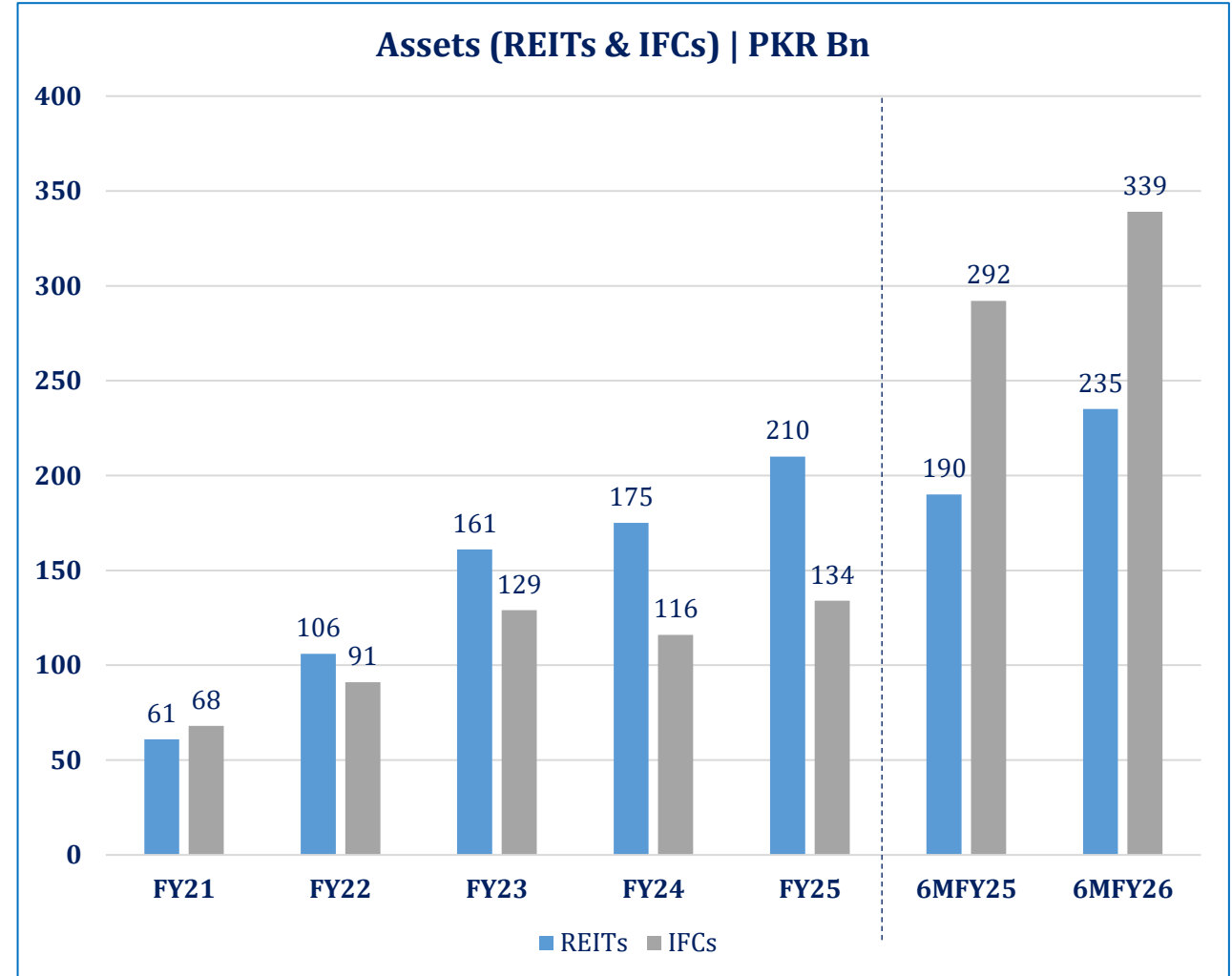


*Non-Bank Microfinance Companies data includes RSPs.

Non-Banking Finance Companies

REITs vs. IFCs | Overview

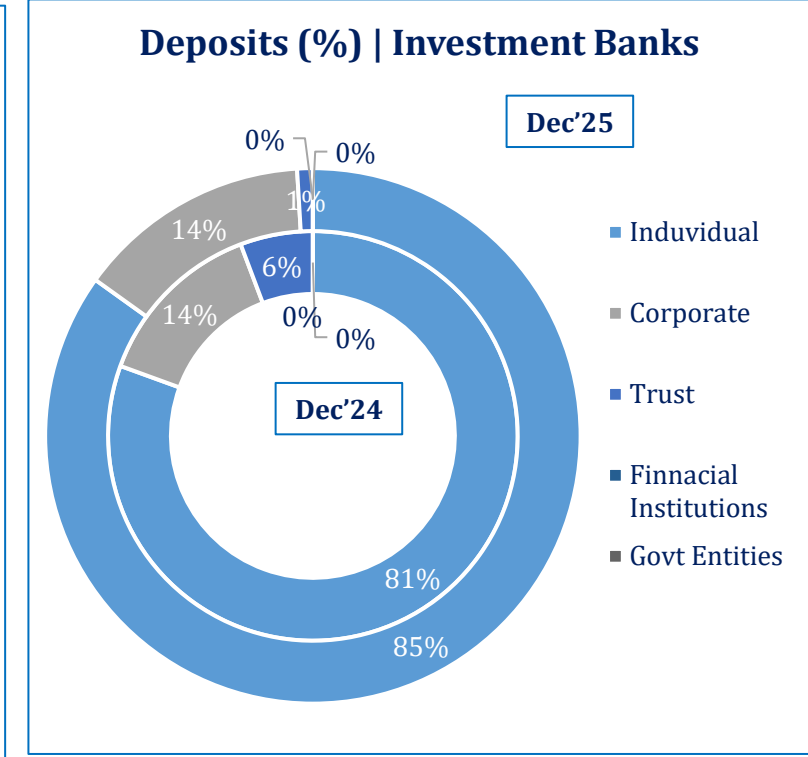
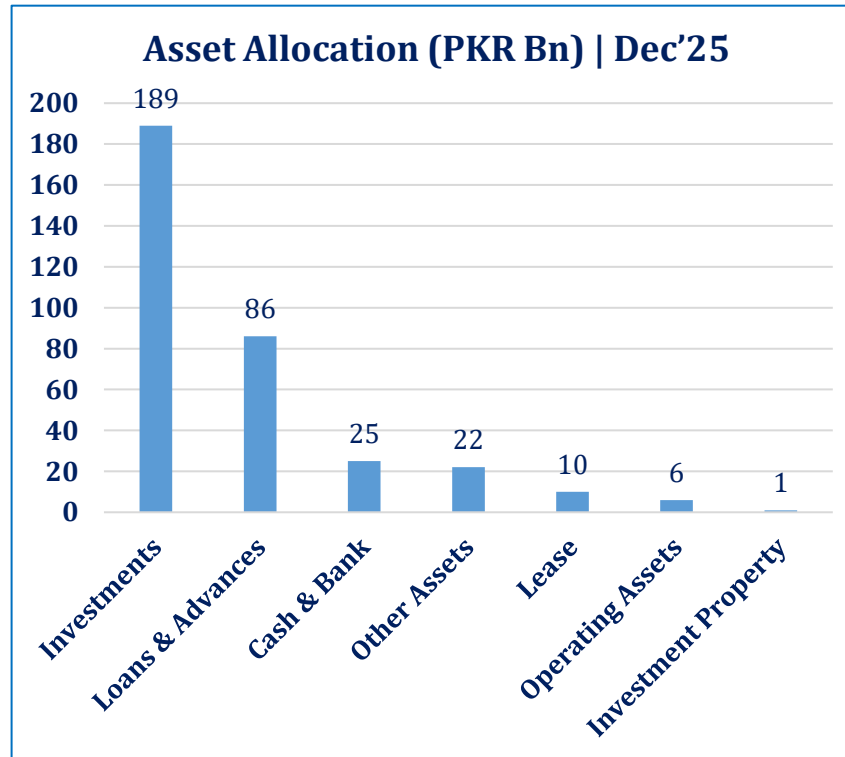
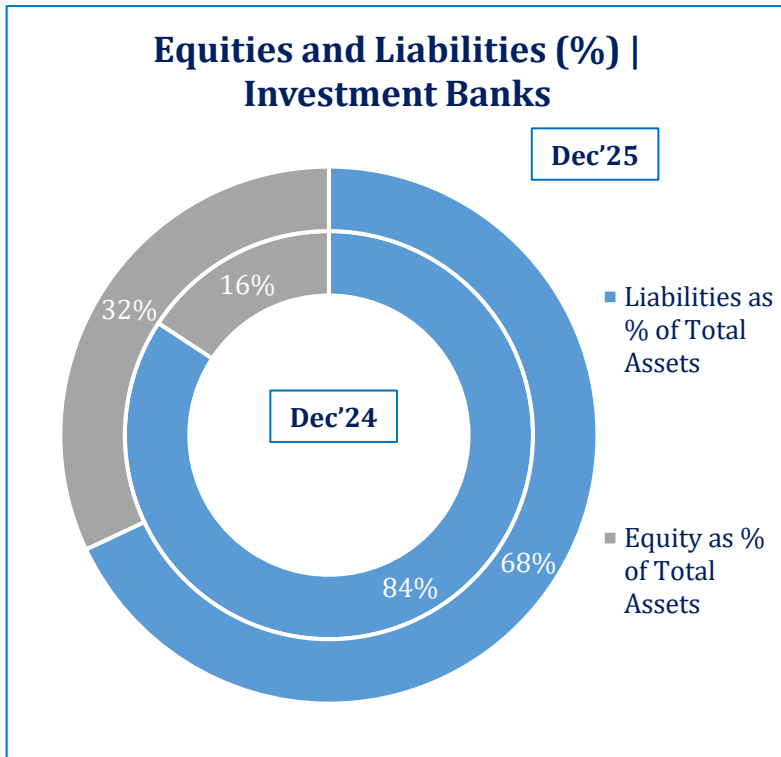
- Investment Finance Companies (IFCs) and Real Estate Investment Trust/Companies held shares of ~5.0% & ~3.4%, respectively, in the NBFC sector.
- There are ~38 real estate management companies, ~25 real estate trusts (scheme), and ~45 Investment Finance Companies (IFCs) as of End-Dec'25. The average size for REITs recorded at PKR~8.8Bn (End-Dec'24: PKR~11.0Bn).
- The collective asset base of all Investment Finance Companies (IFCs) was recorded at PKR~339Bn for the period (SPLY: PKR~292Bn), while for Real Estate Investment Trust/Companies the asset base stood at PKR~235Bn (SPLY: PKR~190Bn).



Non-Banking Finance Companies

IFCs | Asset Break-up and Financial Position

- As of Dec'25, Investment Banks maintained a leveraged balance sheet, with liabilities comprising ~68% of total assets against an equity share of ~32%.
- Investments represented the largest asset class at PKR~189Bn, followed by Loans & Advances at PKR~86Bn, collectively accounting for the bulk of Investment Banks' total asset deployment as at Dec'25.
- The deposit base of Investment Banks remained predominantly retail-driven, with Individuals accounting for ~85% of total deposits, followed by Corporates at ~14%.



Note: Equity and liabilities do not include deficit/surplus on revaluation of fixed assets.

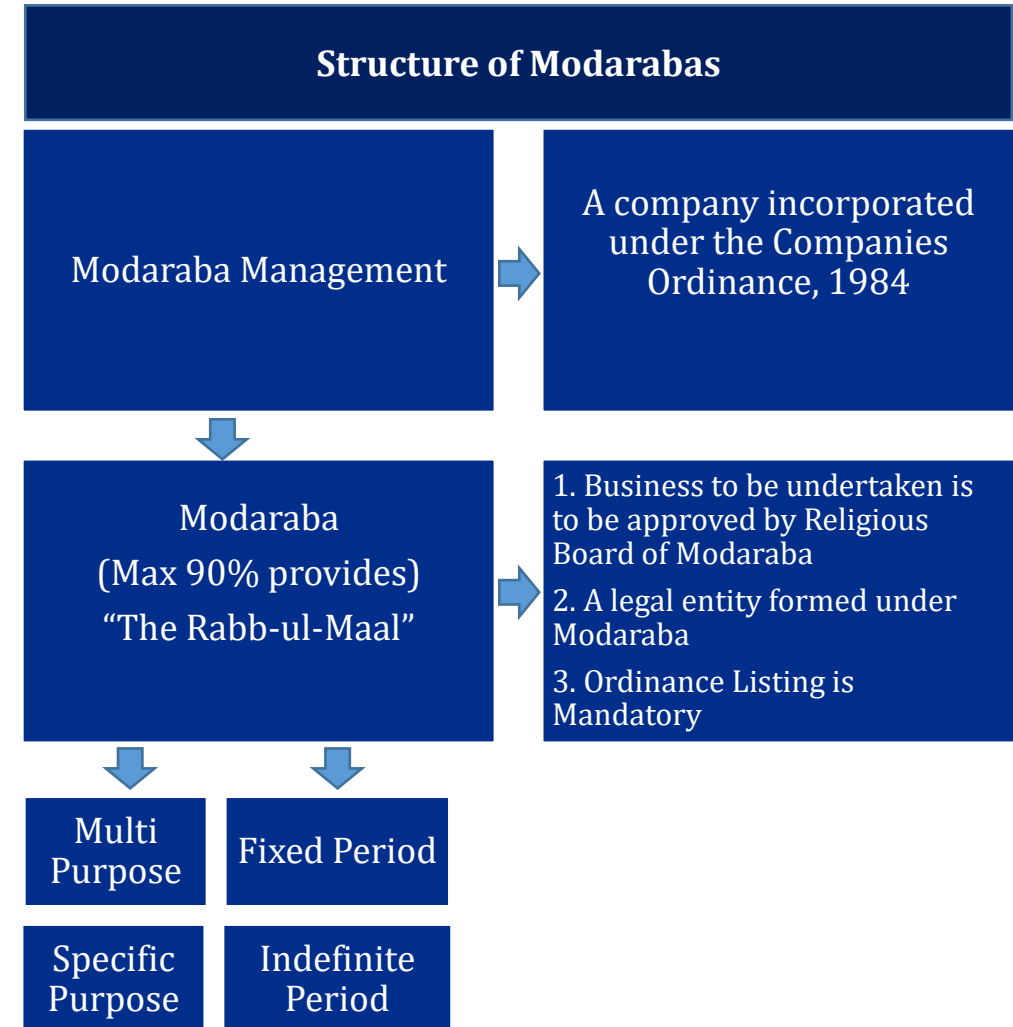
Non-Banking Finance Companies

Modarabas | Overview

A Modaraba is one of the prime modes of Islamic Financial System. In Pakistan, Modarabas operate under a unique model with the following features:

- Modarabas are allowed to offer any financial product or conduct any business provided it is Shariah compliant and approved by the Religious Board. Modarabas can invest in stock markets, trading of halal commodities, project financing activities etc.
- Modarabas can raise funds in the form of Certificates of Modaraba and Certificate of Musharaka. Modarabas can also issue Sukuk and Musharaka-based Term Finance Certificates (TFCs) which are the debt instrument issued by corporate sector to meet a part of their long-term financing needs.
- Modaraba certificates required to be listed on the stock exchange for trading purpose.

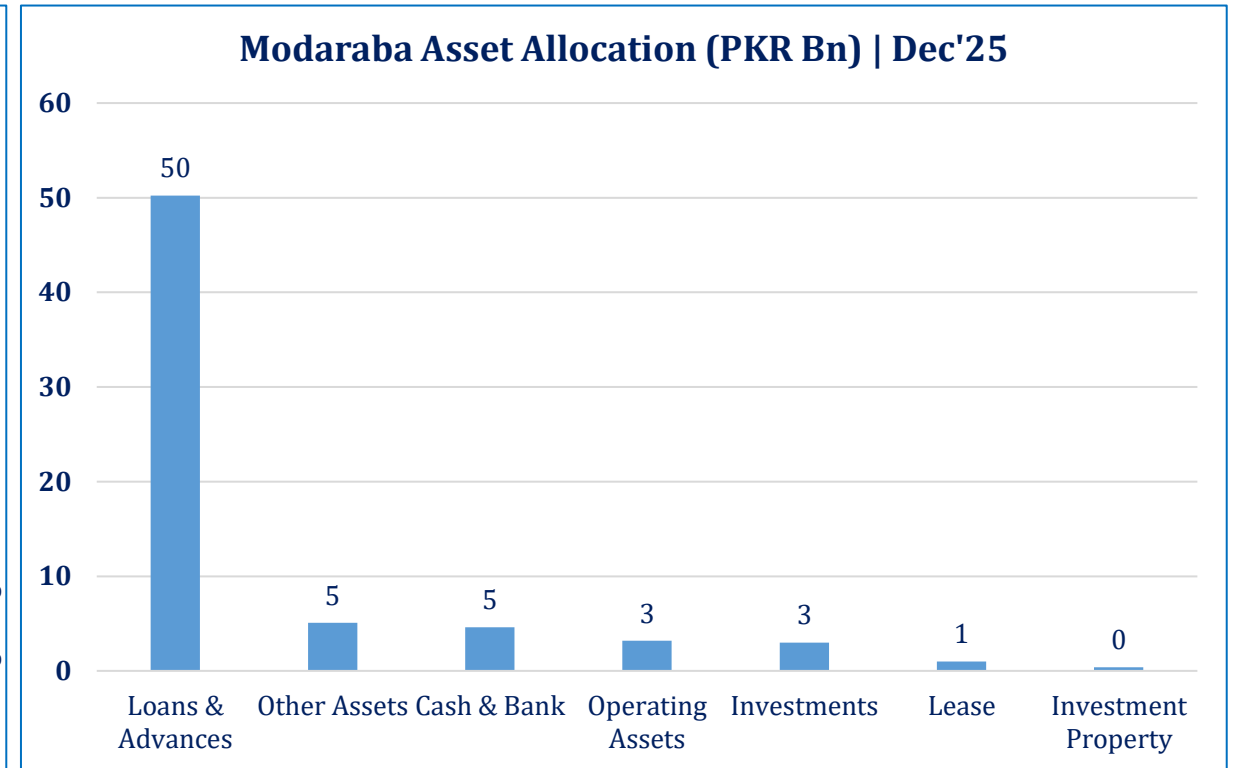
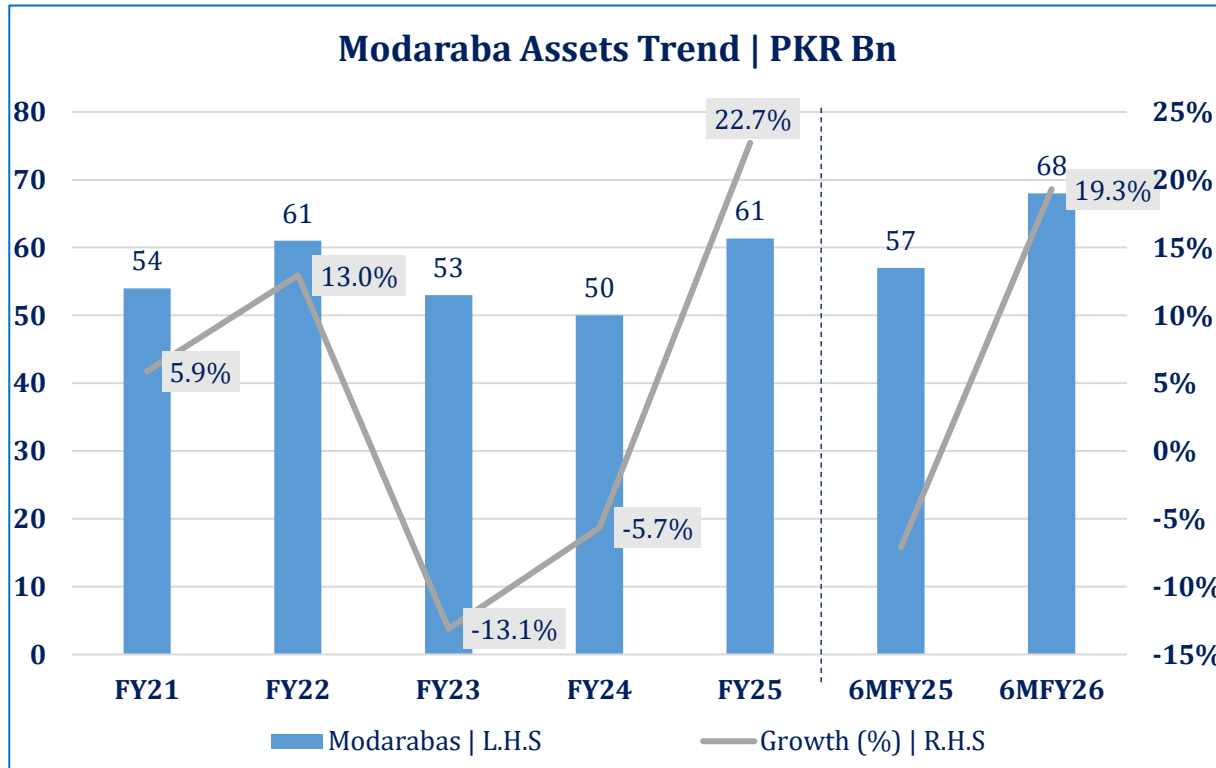
In multi-purpose Modarabas, transactions are based on Ijarah, Musharaka, Diminishing Musharaka, Murabaha, Musawama, Salam and Istisna, whereas specific purpose Modarabas are designed to handle nominated projects.



Non-Banking Finance Companies

Modarabas | Assets

- For 6MFY26, 20 Modarabas are operating within the Country. The total assets of Modarabas have increased from PKR~57Bn as of End-Dec'24 to PKR~68Bn as of End-Dec'25 (up ~19.3% YoY), while having a share of ~1% in terms of assets in total NBFCs.
- As at End-Dec'25, ~73.5% of the total assets were tied up in loans and advances (End-Dec'24: ~21.7%) .



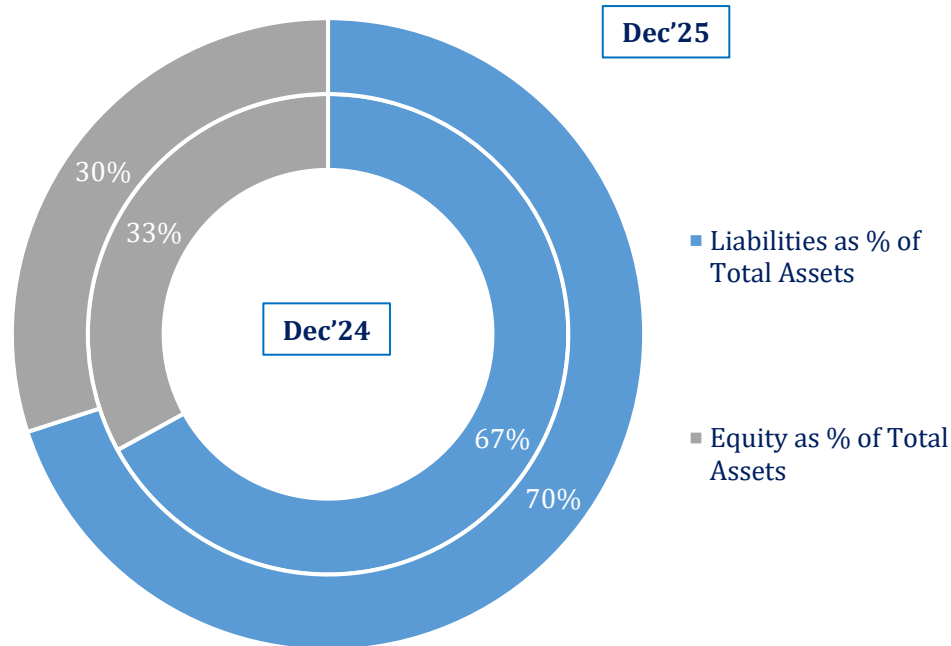
*Note: Equity and liabilities do not include deficit/ surplus on revaluation of fixed assets. *2 Modarabas are not included here due to non-filing of SCRS returns.*

Non-Banking Finance Companies

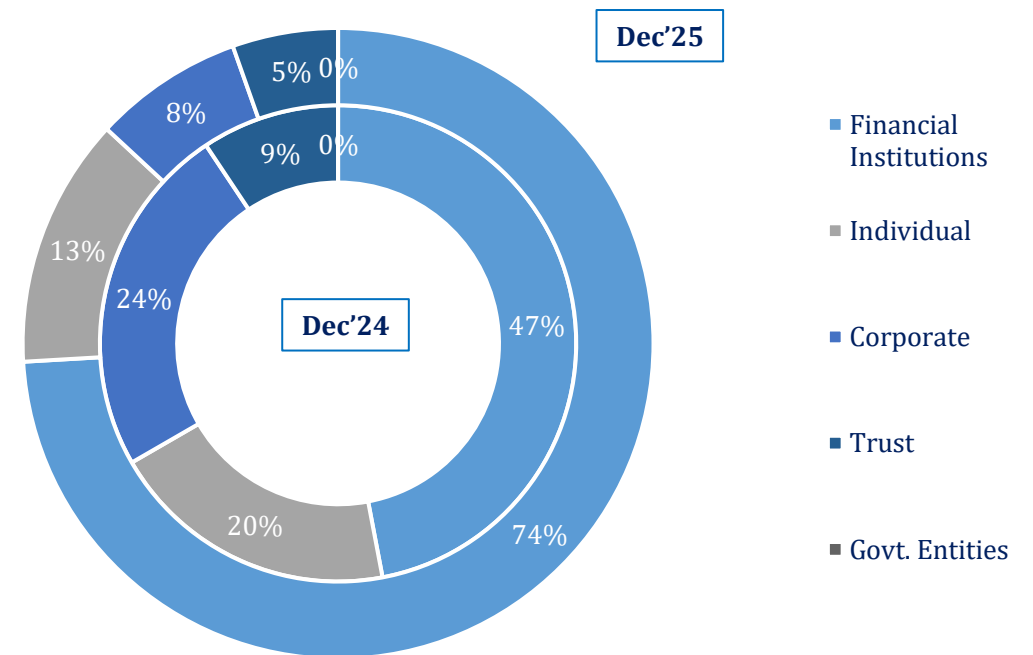
Modarabas | Assets

- As of End-Dec'25, Modarabas maintained a largely liability-driven balance sheet, with liabilities comprising ~70% of total assets while equity accounted for the remaining ~30%, indicative of a moderately leveraged funding structure. The deposit mix of Modarabas shifted notably as of End-Dec'25, with Financial Institutions' share increasing significantly from ~47% to ~74%, while Individuals emerged as the second-largest depositor category at ~13%.

Modarabas | Equity & Liabilities (%)



Deposits of Modarabas (%)

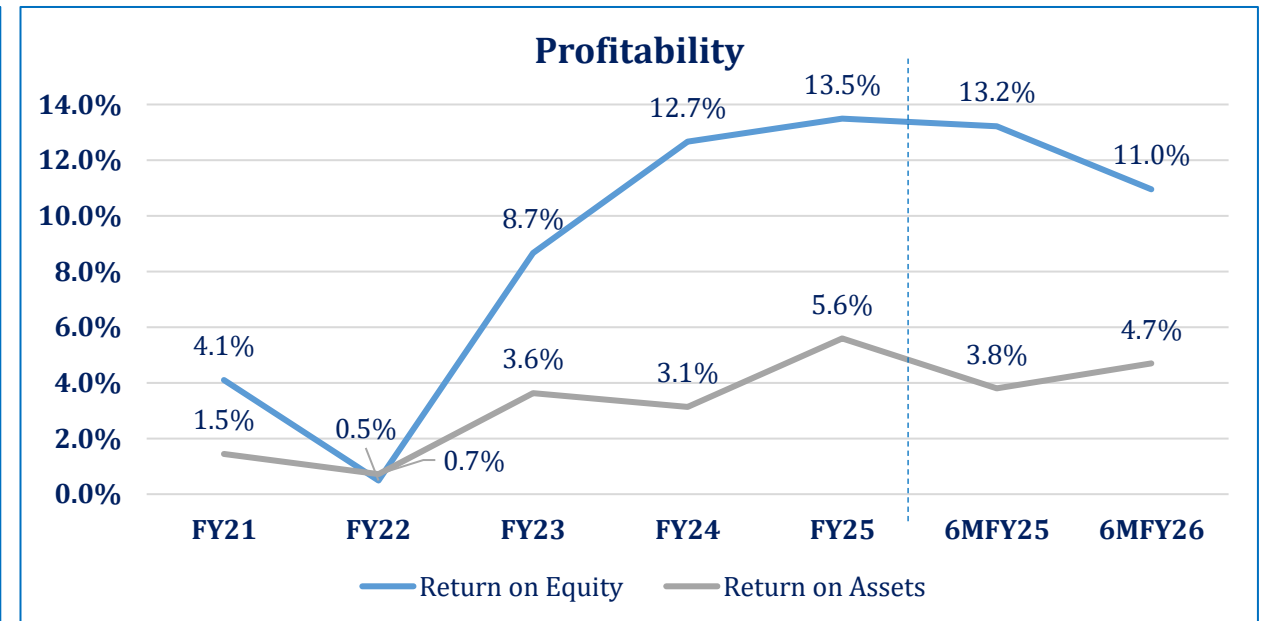
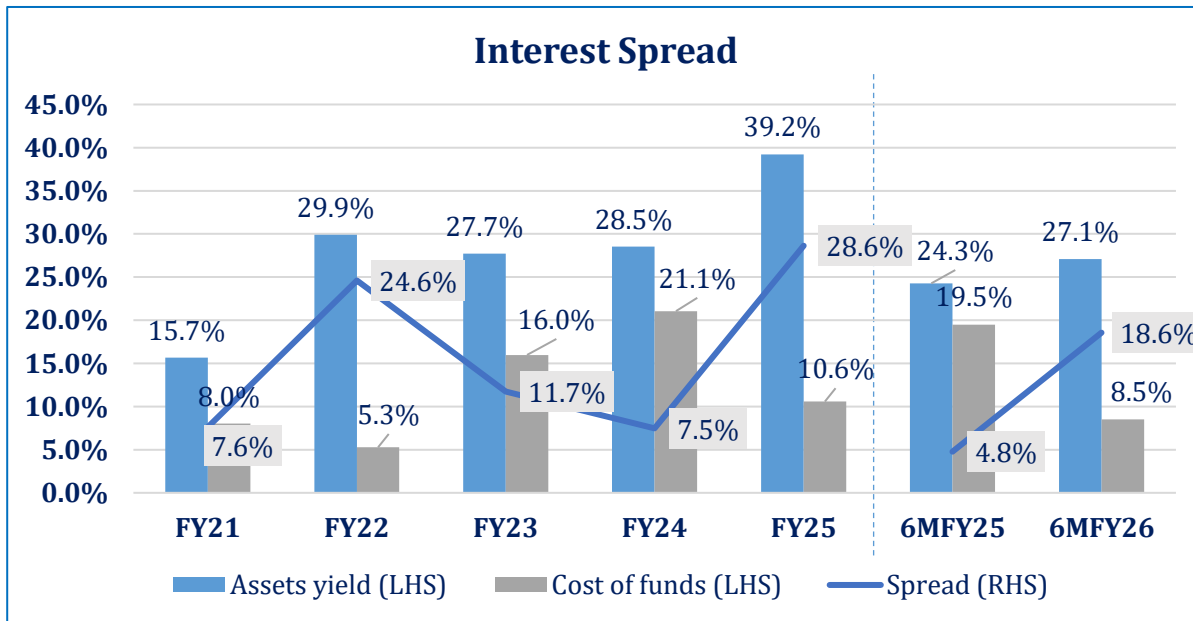


*2 Modarabas s are not included here due to non filing of SCRS returns. **Note:** Equity and liabilities do not include deficit / surplus on revaluation of fixed assets.

Non-Banking Finance Companies

Modarabas | Profitability

- The interest spread for FY25 improved substantially to ~28.6% (FY24: ~7.5%) due to a sharp increase in the assets yields for the period which stood at ~47.4% (FY24: ~27.4%), while the cost of funds for the period also declined to ~10.6% (FY24: ~21.1%). Higher asset yield for the period was primarily driven by high income from advances, encompassing both Ijarah rentals and operational income. The cost of funds declined significantly during the period, primarily driven by a ~950 bps reduction in the monetary policy rate, which fell from ~20.5% in FY24 to ~11.0% in FY25. The interest spread increased in 6MFY26 to ~18.6% (6MFY25: ~4.8%) because of lower cost of funds for the period. The recent ~100 bps hike in the policy rate in Apr'26 is expected to reverse this trend, putting upward pressure on the cost of funds.
- In FY25, Return on Equity and Return on Assets stood at ~13.5% and ~5.6% (SPLY: ~12.7% and ~3.1%, respectively). The uptick in both ROE and ROA was broadly in line with the sector's improved earnings performance during FY25.



Note: Calculations are based on 5 PACRA-rated Modarabas for FY25, however, 6MFY26 data pertains to 4 PACRA-rated Modarabas only.

Non-Banking Finance Companies

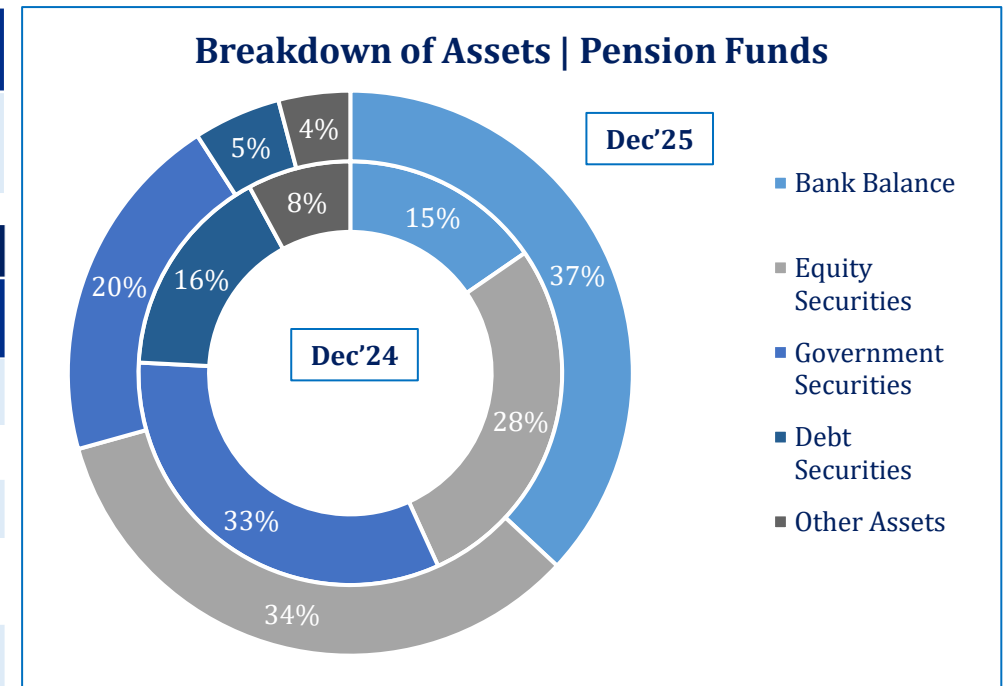
Pension Funds | Overview

- Pension Funds held ~2% share of total NBFCs assets during 6MFY26 with an asset base of PKR~136Bn (SPLY: PKR~96Bn). For the period, ~66% of the total pension funds comprised Shariah-compliant, while ~34% consists of conventional funds.
- As of End-Dec'25, the asset portfolio of Pension Funds was predominantly held in Bank Balances (~37%) and Equity Securities (~34%), collectively accounting for over 70% of total assets, with further allocations toward Government Securities (~20%), Debt Securities (~5%), and Other Assets (~4%).

Pension Funds	FY21	FY22	FY23	FY24	FY25	6MFY25	6MFY26
Total Assets (PKR Bn)	40	42	50	76	111	96	136

Shariah-compliant vs. Conventional Pension Funds | PKR Bn

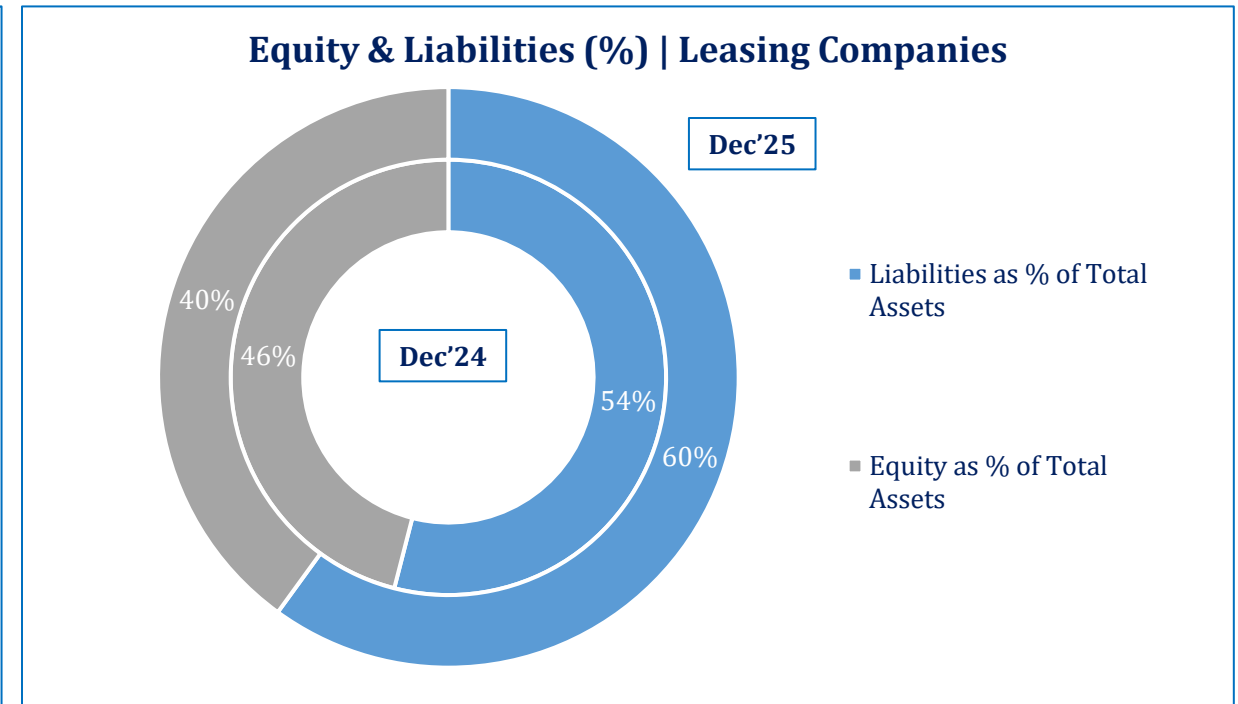
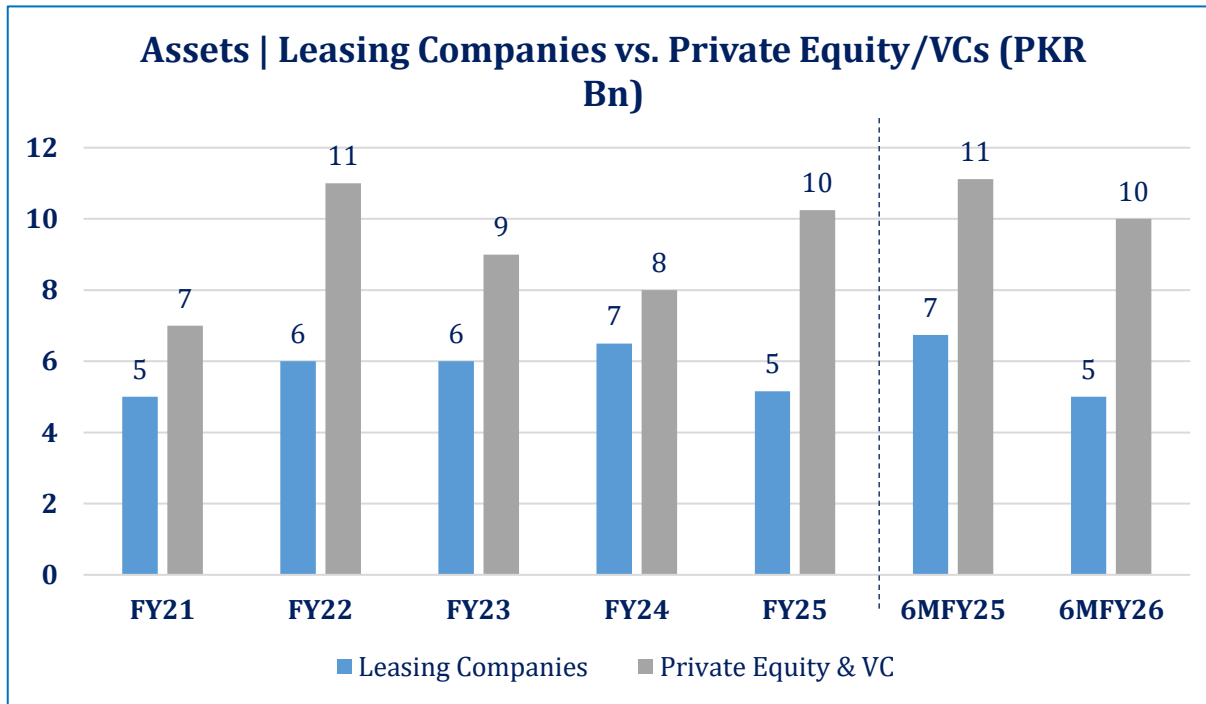
Pension Funds	FY21	FY22	FY23	FY24	FY25	6MFY25	6MFY26
Shariah-Compliant	26	27	33	49	73	63	89
Conventional	14	15	18	27	39	33	47
Total Assets	40	42	50	76	112	96	136
Shariah-Compliant (%)	65%	65%	65%	65%	65%	65%	66%
Conventional (%)	35%	35%	35%	35%	35%	35%	34%



Non-Banking Finance Companies

Leasing Companies & Private Equity | Overview

- Leasing Companies and Private Equity/ Venture Capital Funds (VCs) collectively accounted for ~0.2% share in NBFCs total assets as of End-Dec'25 (SPLY: ~0.3%). Moreover, these held PKR~5Bn and PKR~10Bn worth of assets, respectively.
- As of End-Dec'25, there are ~5 leasing companies and ~10 Private Equity/ VC funds operating in the Country. Liabilities for Leasing Companies comprising ~60% of total assets against an equity share of ~40%, reflecting a balanced yet liability-driven funding structure characteristic of the leasing business model.



Note: Equity and liabilities do not include deficit / surplus on revaluation of fixed assets.

Non-Banking Finance Companies

Regulatory Framework

The Sector Structure of local NBFCs, as per SECP, is divided into two clusters:

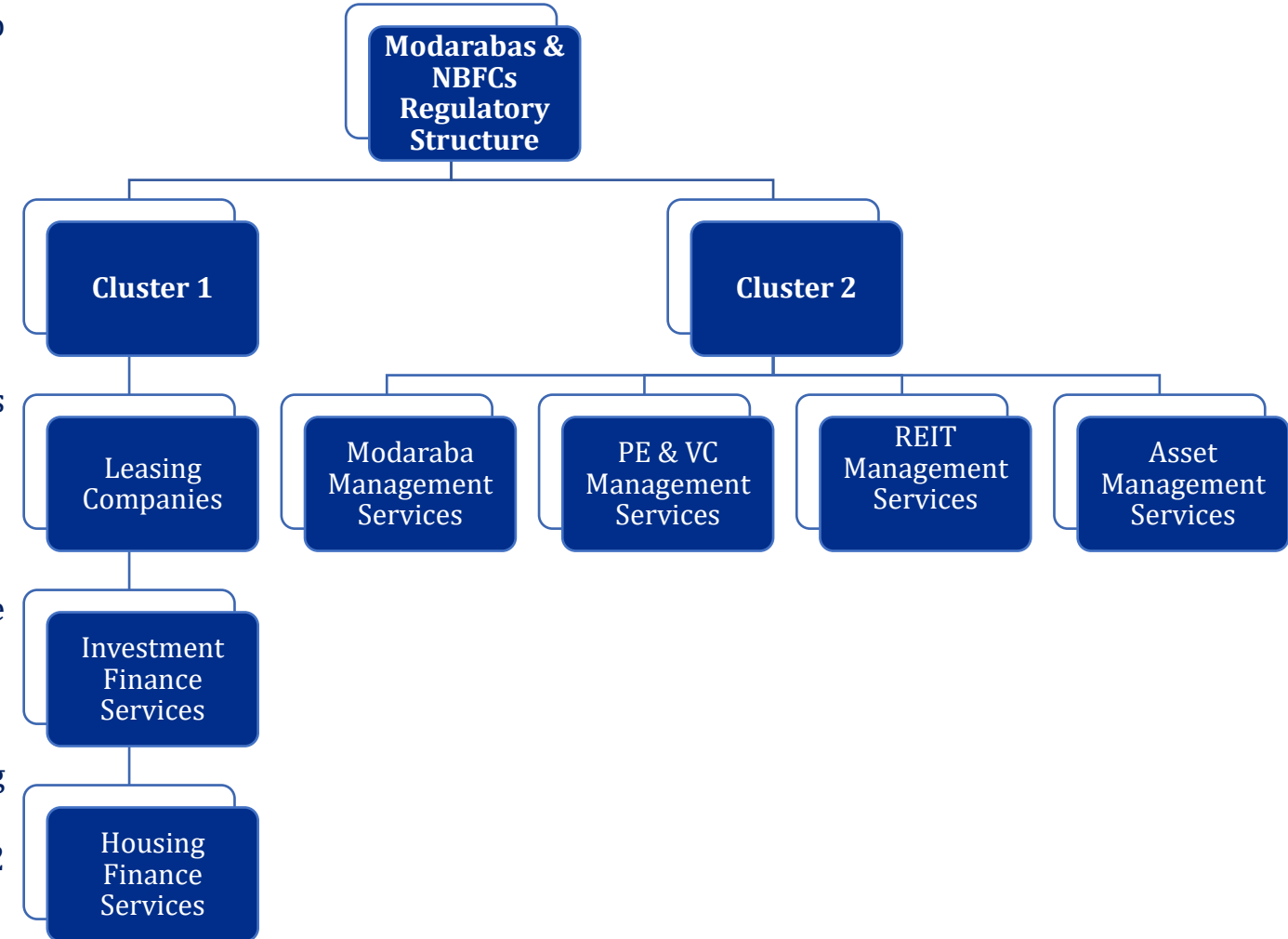
- Cluster 1 is for non-banking financial services.
- Cluster 2 is for fund management services.

Following are the relevant laws pertaining to NBFCs:

- The Companies Ordinance, 1984 (282A- 282K)
- The Non-Banking Finance Companies and Notified Entities Regulations, 2008
- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003

Modarabas are subject to laws and regulations promulgated in the following:

- Modarabas Ordinance, 1980
- Prudential Regulations for Risk Management and Conducting day to day Affairs
- Shariah Compliance and Shariah Audit Mechanism 2012 (SCSAM)



Non-Banking Finance Companies

Taxation

Mutual Funds

- The income of mutual funds / CIS / REIT schemes is exempt from Income Tax, provided that at least 90% of the accounting income (excluding capital gains) is distributed to unit holders as dividends or bonus units.
- Capital gain on redemption of units is subject to capital gain tax at 0% where units are held for more than 6 years.
- Dividend income from mutual funds is taxed under Section 150 as follows:
 - (a) Funds with $\geq 50\%$ income from profit on debt $\rightarrow 25\%$ (ATL) / 50% (Non-ATL)
 - (b) Other funds $\rightarrow 15\%$ (ATL) / 30% (Non-ATL)
- Tax credit under Section 62 on purchase of units is no longer available (omitted by Finance Act 2022).

Investment in Stocks | Individuals

- Tax credit under Section 62 on investment in shares is no longer available.
- For listed securities:
 - (a) Securities acquired on or after July 1, 2024 $\rightarrow 15\%$ CGT for ATL individuals
 - (b) Holding period is no longer relevant
 - (c) Non-ATL individuals are taxed at higher prescribed rates (up to $\sim 45\%$)
- CGT is calculated and collected through the NCCPL system.

Non-Banking Finance Companies

Capital Gain Tax on Redemption

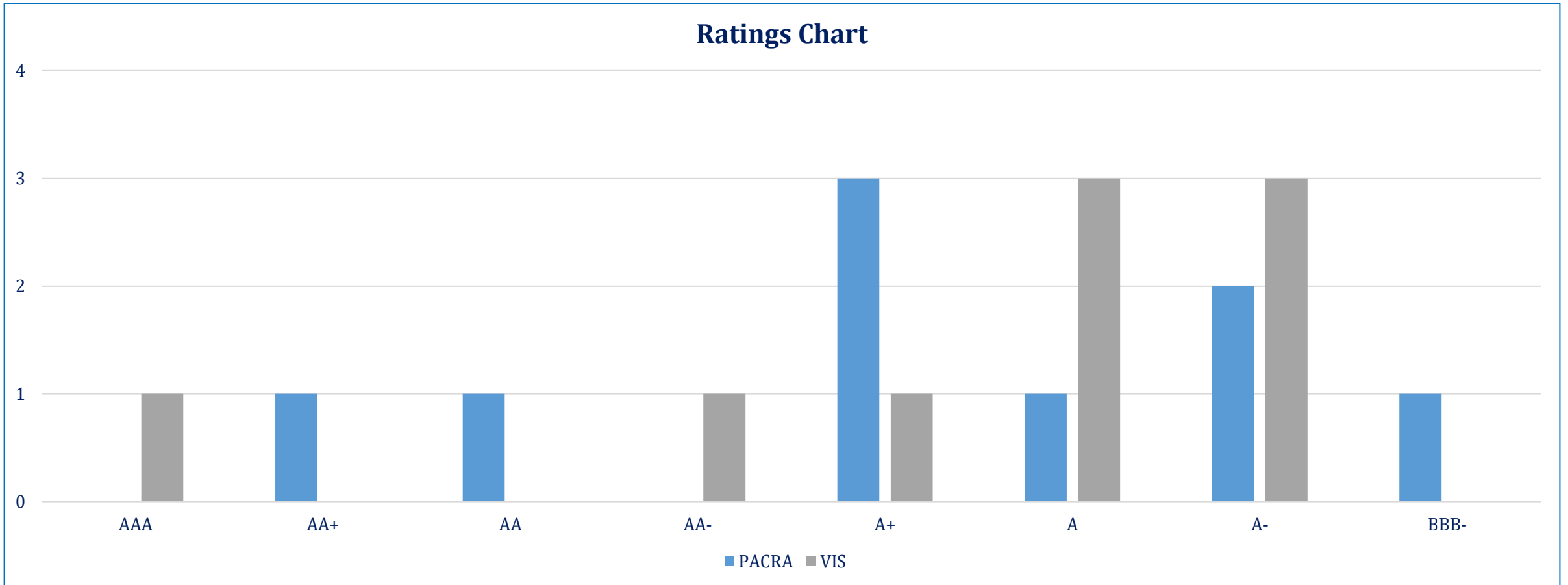
The CGT rates for FY26 are as follows:

Particulars	Investors appearing in the Active Tax Payers' List	Investors not appearing in the Active Tax Payers' List
Stock Funds: For individuals, association of persons and corporates	15.00%	15.00%
Other Funds: For Individuals	15.00%	15.00%
Other Funds: For Corporate	25.00%	25.00%
Where the holding period of Security or Fund is more than six years	0.00%	0.00%

Non-Banking Finance Companies

Rating Curve

- PACRA rates ~9 entities in the NBFCs sector with a long-term rating bandwidth ranging from BBB- to AA+. ~1 debt instruments with a rating of AA- is also rated by PACRA in the NBFCs sector.



Non-Banking Finance Companies

SWOT Analysis

- Organized Sector with listed players
- Offers smaller investors access to professionally managed and diversified portfolios
- Large variety of fund and investor who can make choices according to their specific objectives.

Strengths

- High management fees
- Lack of awareness for potential investors and borrowers
- Low financial inclusion.

Weaknesses

- Mainstream banks have the ability to take away business
- Market Risks (volatility in capital markets and interest rates)
- Asset quality deterioration for small lenders in times of crisis.

Threats

- Ample room for growth
- Introduction of new products, such as Exchange Traded Funds
- Digital applications.

Opportunities

Non-Banking Finance Companies

Outlook: Stable

NBFCs

- As of End-Dec'25, Pakistan's NBFC Sector demonstrated resilience and served as a complementary pillar to the conventional banking system. However, the sector continues to account for a modest ~8.6% share of the Country's overall financial sector (SPLY: ~8.9% share). The Sector's growth trajectory stalled due to higher base effect and geopolitical events leading to decline in capital markets.
- The monetary easing cycle played a pivotal role in reshaping the NBFC landscape. With the policy rate declining from 13.0% (End-Dec'24) to 10.5% (End-Dec'25), the cost of borrowing fell, creating a more conducive environment for credit intermediation, particularly within the lending-oriented sub-segments. The overall asset base of the NBFC Sector expanded by ~10.3% in the period, a notable step-down from the ~80.0% surge recorded in End-Dec'24. However, this deceleration is largely attributable to the reversal of funds that had temporarily flowed into the Sector in the previous year on account of the ADR-linked tax policy. The recent decline in stock market and increase in interest rates (by 1% in April 2026), the dynamics are changing again, requiring vigilant approach by sector players.
- On a segmental basis, the lending side outpaced asset management in terms of growth rate, clocking in at 21.5% versus 8.9%, though the latter continued to dominate in absolute terms given its commanding 87.9% share of total sectoral assets. NBMFIs, IFCs, and Modarabas all registered meaningful asset growth of ~27.7%, ~16.1%, and ~19.4% respectively, reflecting broad-based momentum across the lending segment.

Mutual Funds & Modarabas

- Mutual funds recorded a modest expansion of ~2.2 percent in End-Dec'25. A gradual shift in investor preference was visible, with equity funds (particularly Islamic equity funds) emerging as the primary growth driver, expanding ~54.7 percent to Rs~650Bn in the period. Their share in total mutual fund assets rose to ~14.3% from 9.5% in End-Dec'24.
- The Modaraba segment posted a decent recovery, with assets growing ~19.4% in End-Dec'25, following a near-stagnant 1.2% growth in SPLY. This improvement was underpinned by a strong ~26.0% expansion in the diminishing musharaka portfolio, reflecting renewed momentum in participatory and asset-backed financing structures amid the easing rate environment.

Leasing Companies

- The leasing sector continued its prolonged struggle, with its asset base contracting 21.8% in End-Dec'25 (reversing the modest 3.7% expansion recorded in End-Dec'24) as the sector grappled with structural headwinds including stiff competition from banks, elevated funding costs and limited access to long-term capital.
- Going forward, the NBFC Sector's performance will remain contingent on the evolving macroeconomic landscape, with the ongoing US-Iran conflict posing a significant upside risk to global oil prices and domestic inflation, which could result in further hike in interest rates and would translate into higher borrowing costs for the segment. This will majorly weigh on credit demand and the overall growth momentum of lending-based NBFCs.

Non-Banking Finance Companies

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- Federal Board of Revenue (FBR)
- PACRA Database

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