

# Joint Venture Financial Institutions (JVFI)

June 2017

Players

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# JVFIs | Universe

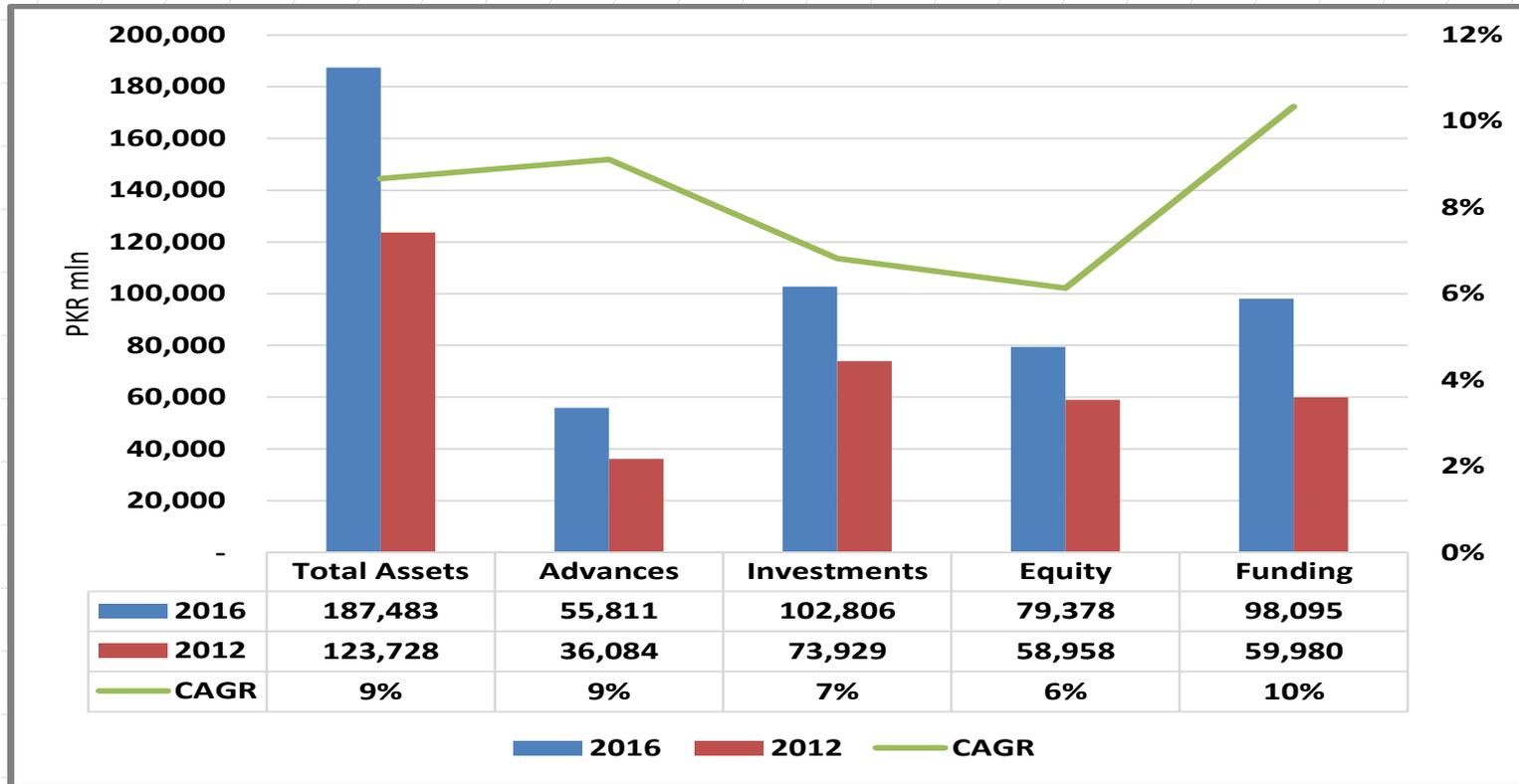
Sr. #	Joint Venture Financial Institution	Incorporation	Latest Rating	Outlook	Rating Agency
1	Pakistan Kuwait Investment Company (Private) Limited	17-Mar-1979	AAA/A1+	Stable	PACRA
2	Pak China Investment Company Limited	27-Jul-2007	AAA/A1+	Stable	JCR
3	Pak Brunei Investment Company Limited	20-Aug-2007	AA+/A1+	Stable	PACRA
4	Pak Oman Investment Company Limited	23-Jul-2001	AA+/A1+	Stable	JCR
5	Saudi Pak Industrial and Agricultural Investment Company Limited	23-Dec-1981	AA+/A1+	Stable	JCR
6	PAIR Investment Company Limited	15-Jan-2007	AA/A1+	Stable	PACRA
7	Pak-Libya Holding Company (Private) Limited	14-Oct-1978	AA-/A1+	Negative	PACRA

- Highly rated institutions mainly owing to sovereign ownerships and relatively low risk asset structure



# JVFI's Snapshot

- Despite the challenges, the JVFI's are growing with achieving a CAGR of 9% in the lending portfolio over a span of 5 years
- Growth momentum was build up by better economic conditions of the country and with expanding into various segments
- With the growth target of the country set at 6% of GDP, the industry is expected to continue the growth pattern



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# Assets | JVFI's

						(PKR mln)
Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Oman	39,806	27,195	23,366	17,728	18,578
2	Pak Brunei	34,391	29,115	32,901	35,508	14,046
3	Pak Kuwait	28,941	28,367	24,634	22,291	30,024
4	Saudi Pak	24,332	25,087	22,173	14,774	15,904
5	Pak China	22,518	20,549	20,008	12,731	15,973
6	Pak Libya	18,896	15,274	12,436	12,121	13,466
7	PAIR	18,598	23,221	18,744	17,282	15,737
	<b>Total</b>	<b>187,483</b>	<b>168,809</b>	<b>154,261</b>	<b>132,434</b>	<b>123,728</b>
	<b>Growth YoY</b>	<b>11%</b>	<b>9%</b>	<b>16%</b>	<b>7%</b>	<b>-1%</b>

- Adequate asset growth though limited outreach
- No specific niche identified for the JVFI's, thus they operate in same environment as with other financial institutions – increasing the competition as they have to compete with commercial banks over cost of funds and outreach
- Predominant operations in money market/capital market
- Growth led mainly by PAK Oman (46%)
- Decline in assets of PAIR (20%) & Saudi Pak (3%)



# Advances | JVFI

(PKR mln)

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Oman	14,834	9,993	9,070	7,494	6,347
2	Pak Brunei	13,996	10,237	7,386	6,799	5,776
3	Saudi Pak	8,256	6,675	5,688	3,954	4,962
4	Pak China	6,040	5,708	5,957	5,329	4,590
5	PAIR	5,424	3,503	3,592	3,678	4,325
6	Pak Kuwait	4,422	5,114	2,798	3,772	5,242
7	Pak Libya	2,838	3,238	3,708	4,353	4,841
	<b>Total</b>	<b>55,811</b>	<b>44,468</b>	<b>38,199</b>	<b>35,379</b>	<b>36,084</b>
	<b>Growth YoY</b>	<b>26%</b>	<b>16%</b>	<b>8%</b>	<b>-2%</b>	<b>0%</b>
	<b>Advances / Total Assets</b>	<b>30%</b>	<b>26%</b>	<b>25%</b>	<b>27%</b>	<b>29%</b>

- Adequate growth in advances
- Growth in advances dominated by Pak Oman (43% contribution in the growth)
- Despite challenges, sizable growth in financing in CY16
- Growth fueled by the congenial economic environment of the country and overall better credit offtake



# Total Investments | JVFI's

(PKR mln)

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Kuwait	21,206	22,143	20,902	11,887	23,513
2	Pak Oman	20,832	14,073	12,180	7,629	10,229
3	Pak Brunei	16,658	16,850	24,247	27,431	7,121
4	Pak Libya	13,184	10,922	7,703	6,356	7,706
5	PAIR	11,843	18,807	14,115	12,745	10,842
6	Saudi Pak	11,349	12,702	10,739	6,495	6,497
7	Pak China	7,734	12,091	11,289	4,283	8,021
	<b>Total</b>	<b>102,806</b>	<b>107,590</b>	<b>101,174</b>	<b>76,826</b>	<b>73,929</b>
	<b>Growth YoY</b>	<b>-4%</b>	<b>6%</b>	<b>32%</b>	<b>4%</b>	<b>1%</b>

- Investments consolidated keeping in view the interest rate regime (Jan'16-Apr'16: 6%, May'16-Mar'17: 5.75%)
- With positive view on Pakistan Stock Exchange, investment books being build around the equity market
- Largest reduction witnessed in investment book of PAIR (37%) and Pak china (36%)
- Growth (YoY) in investment bank of:
  - Pak Oman: mainly increased investment in private sukuks (19%) and associates (5%)
  - Pak Libya: mainly increased investment in PIB book (45%)



# Govt. Investments as percentage of Total Investments

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Libya	83%	79%	74%	61%	64%
2	Pak Oman	77%	64%	60%	52%	53%
3	Pak China	74%	82%	79%	58%	73%
4	Saudi Pak	73%	73%	67%	50%	51%
5	PAIR	66%	79%	65%	51%	48%
6	Pak Brunei	54%	41%	64%	70%	12%
7	Pak Kuwait	14%	29%	30%	8%	63%
	<b>Average</b>	<b>59%</b>	<b>60%</b>	<b>59%</b>	<b>52%</b>	<b>55%</b>

Gov.t Investment	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
PIBs & Ijara Sukuk	55%	74%	62%	15%	17%
Tbills	45%	26%	38%	85%	83%

- A large portion of investments comprises government securities
- As the interest rate arbitrage has bottomed out, investments now being converted to short term rather than long term – Mix being tilted towards T-Bills form PIBs previously



# Equity | JVFI

<i>(PKR mln)</i>						
<u>Sr #</u>	<u>JVFI</u>	<u>Dec-16</u>	<u>Dec-15</u>	<u>Dec-14</u>	<u>Dec-13</u>	<u>Dec-12</u>
1	Pak Kuwait	22,822	19,727	18,512	15,680	13,777
2	Pak China	14,001	13,385	12,762	12,290	11,729
3	Pak Brunei	10,491	9,724	8,989	8,285	8,579
4	Saudi Pak	9,921	9,380	8,586	7,358	6,535
5	PAIR	9,367	9,064	8,618	8,265	8,027
6	Pak Oman	8,107	7,770	7,419	7,284	7,158
7	Pak Libya	4,669	3,874	3,569	3,333	3,152
	<b>Total</b>	<b>79,378</b>	<b>72,924</b>	<b>68,454</b>	<b>62,495</b>	<b>58,958</b>
	<b>Growth YoY</b>	<b>9%</b>	<b>7%</b>	<b>10%</b>	<b>6%</b>	<b>5%</b>
	<b>CAR   JVFI</b>	<b>51%</b>	<b>52%</b>	<b>49%</b>	<b>53%</b>	<b>53%</b>

- Adequate minimum capital requirement (PKR 6bln)
- Majority equity retained – limited dividend payout
- Pak Libya – Non compliant with MCR, gap with MCR bridged through organic growth over the years



## Funding | JVFI

						<i>(PKR mln)</i>
<u>Sr #</u>	<u>JVFI</u>	<u>Dec-16</u>	<u>Dec-15</u>	<u>Dec-14</u>	<u>Dec-13</u>	<u>Dec-12</u>
1	Pak Oman	30,494	18,489	15,165	10,156	10,897
2	Pak Brunei	23,406	18,762	23,254	26,959	5,242
3	Pak Libya	13,855	11,178	8,568	8,425	9,969
4	Saudi Pak	10,849	12,017	10,668	5,088	6,611
5	PAIR	8,630	13,543	9,607	8,515	7,266
6	Pak China	8,196	6,903	6,992	326	4,139
7	Pak Kuwait	2,664	6,427	3,955	5,392	15,855
	<b>Total</b>	<b>98,095</b>	<b>87,320</b>	<b>78,209</b>	<b>64,861</b>	<b>59,980</b>
	<b>Growth YoY</b>	<b>12%</b>	<b>12%</b>	<b>21%</b>	<b>8%</b>	<b>-8%</b>

<u>Source</u>	<u>Dec-16</u>	<u>Dec-15</u>	<u>Dec-14</u>	<u>Dec-13</u>	<u>Dec-12</u>
Deposits	11%	14%	19%	14%	23%
Borrowings	89%	86%	81%	86%	77%

- Consistent growth in financing
- Funding profile remained tilted towards borrowings while growth of deposits was subdued



## Advances / Funding | JVFI

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Kuwait	166%	80%	71%	70%	33%
2	Saudi Pak	76%	56%	53%	78%	75%
3	Pak China	74%	83%	85%	1634%	111%
4	PAIR	63%	26%	37%	43%	60%
5	Pak Brunei	60%	55%	32%	25%	110%
6	Pak Oman	49%	54%	60%	74%	58%
7	Pak Libya	20%	29%	43%	52%	49%
	<b>Average</b>	<b>57%</b>	<b>51%</b>	<b>56%</b>	<b>57%</b>	<b>61%</b>

- Higher ADR as compared to banks (46.6% at end-Dec16)



## Infection Ratio | JVFI

- Infection ratio improved as asset quality remained within the satisfactory limits owing to growing advances and shrinking nonperforming loans

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Brunei	3%	3%	0%	0%	0%
2	Pak China	6%	10%	12%	12%	13%
3	Pak Oman	8%	11%	10%	13%	16%
4	PAIR	19%	29%	30%	21%	16%
5	Pak Kuwait	26%	24%	39%	36%	26%
6	Saudi Pak	27%	32%	27%	41%	38%
7	Pak Libya	38%	56%	52%	46%	44%
	<b>Average</b>	<b>14%</b>	<b>21%</b>	<b>22%</b>	<b>24%</b>	<b>24%</b>

## Loss Coverage | JVFI

- Significant coverage

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Brunei	52%	50%	113%	113%	100%
2	Pak China	132%	99%	78%	76%	71%
3	Pak Oman	87%	77%	86%	83%	79%
4	PAIR	73%	70%	65%	61%	28%
5	Pak Kuwait	93%	93%	92%	87%	92%
6	Saudi Pak	79%	75%	94%	88%	81%
7	Pak Libya	93%	80%	79%	82%	82%
	<b>Average</b>	<b>85%</b>	<b>79%</b>	<b>83%</b>	<b>83%</b>	<b>79%</b>

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# Net Interest Markup Revenue | JVFI's

(PKR mln)

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Oman	852	886	756	672	744
2	Saudi Pak	834	851	677	515	426
3	Pak Kuwait	784	864	789	688	759
4	PAIR	710	883	725	665	809
5	Pak China	697	1,144	1,112	933	1,210
6	Pak Brunei	507	553	468	438	867
7	Pak Libya	313	360	315	254	245
	<b>Total</b>	<b>4,697</b>	<b>5,540</b>	<b>4,842</b>	<b>4,166</b>	<b>5,062</b>
	<b>Growth YoY</b>	<b>-15%</b>	<b>14%</b>	<b>16%</b>	<b>-18%</b>	<b>-10%</b>

▪ Abridged spreads led to decline in Net markup income

▪ Higher non-mark-up along with dwindled revenue led to higher cost to revenue ratio

# Cost to Total Net Revenue | JVFI's

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Kuwait	10%	16%	16%	15%	18%
2	Pak Brunei	18%	17%	20%	19%	16%
3	Saudi Pak	21%	27%	17%	30%	36%
4	Pak China	30%	22%	32%	24%	16%
5	Pak Oman	39%	30%	34%	36%	29%
6	PAIR	42%	24%	26%	23%	24%
7	Pak Libya	100%	47%	66%	77%	182%
	<b>Average</b>	<b>37%</b>	<b>26%</b>	<b>30%</b>	<b>32%</b>	<b>46%</b>

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## Profit Before Tax | JVFI

(PKR mln)

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Kuwait	4,128	2,504	3,195	2,807	2,058
2	Pak Brunei	1,333	1,300	1,106	917	1,076
3	Pak Libya	1,042	472	318	196	(3,317)
4	Pak Oman	1,025	975	545	488	606
5	Saudi Pak	963	983	1,402	435	405
6	PAIR	861	923	464	456	636
7	Pak China	858	951	619	855	1,038
	<b>Total</b>	<b>10,210</b>	<b>8,108</b>	<b>7,650</b>	<b>6,154</b>	<b>2,501</b>
	<b>Growth YoY</b>	<b>26%</b>	<b>6%</b>	<b>24%</b>	<b>146%</b>	<b>3%</b>

## Profit After Tax | JVFI

(PKR mln)

Sr #	JVFI	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
1	Pak Kuwait	3,452	1,829	2,678	2,360	1,641
2	Pak Brunei	962	937	905	706	784
3	Pak Libya	801	305	233	182	(3,429)
4	Pak Oman	706	602	384	376	428
5	Saudi Pak	476	724	1,159	765	381
6	Pak China	615	621	469	564	674
7	PAIR	603	597	352	339	440
	<b>Total</b>	<b>7,615</b>	<b>5,615</b>	<b>6,179</b>	<b>5,291</b>	<b>920</b>
	<b>Growth YoY</b>	<b>36%</b>	<b>-9%</b>	<b>17%</b>	<b>475%</b>	<b>17%</b>

Despite the challenges, profitability of the industry witnessed growth – led by a ~14% increase in non-interest income

Pak Kuwait contributes almost half of the profitability (45%) owing to the to share of strategic investment

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