

A network diagram is positioned in the top left corner of the slide. It features a collection of nodes, represented by circles of varying sizes and colors (grey, blue, and white with a blue outline), connected by thin grey lines. Some nodes are highlighted with a blue border or a solid blue fill.

Development Financial Institutions (DFIs)

June 2020

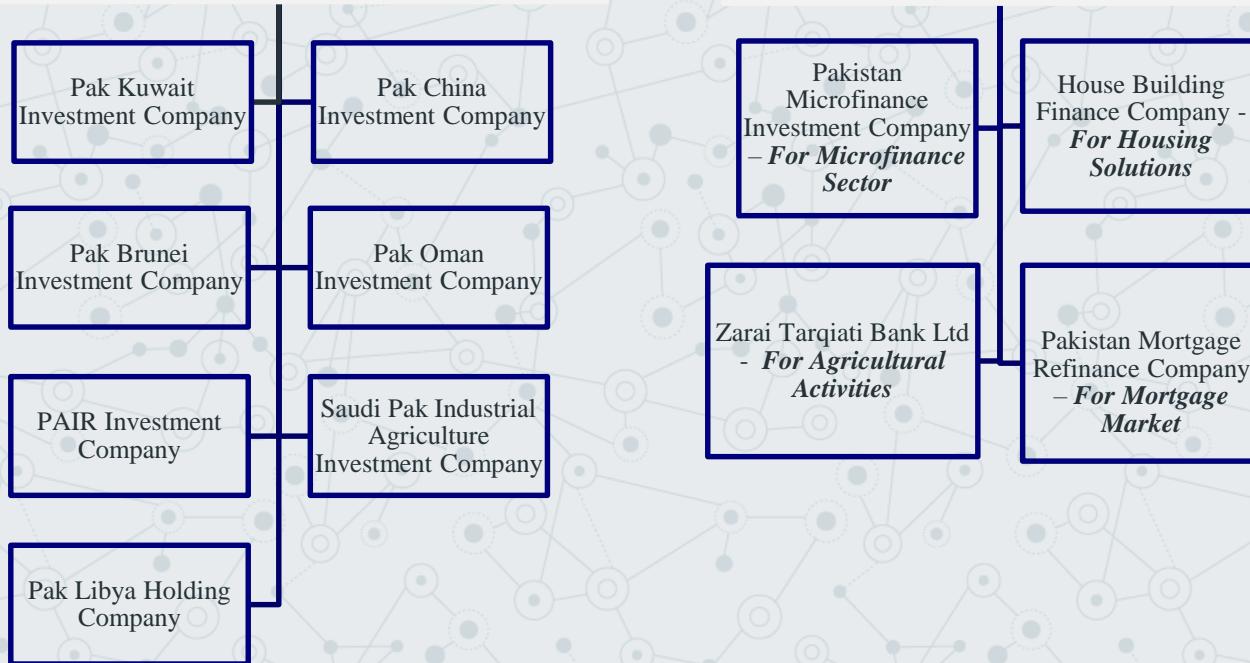
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DFIs | Broad & Specific Objective

Development Financial Institutions (DFIs)

Broad Objective - Majority-owned by national governments to implement government foreign development - (JVFI's)

Specific Objective - Specific objective driven DFIs, build for development of a specific sector



DFIs | Rated Universe

Development Financial Institution		Year of Incorporation	Latest Rating	Outlook	Rating Agency	Date
Sr. #	Joint Venture Financial Institutions (JVFI)					
1	Pakistan Kuwait Investment Company (Private) Limited	1979	AAA/A1+	Stable	PACRA	Dec'19
2	Pak China Investment Company Limited	2007	AAA/A1+	Stable	Other CRA	Jun'19
3	Pak Brunei Investment Company Limited	2007	AA+/A1+	Stable	Other CRA	Jun'19
4	Pak Oman Investment Company Limited	2001	AA+/A1+	Stable	Other CRA	Jun'19
5	Saudi Pak Industrial and Agricultural Investment Company Limited	1981	AA+/A1+	Stable	Other CRA	May'19
6	PAIR Investment Company Limited	2007	AA/A1+	Stable	PACRA	Dec'19
7	Pak-Libya Holding Company (Private) Limited	1978	AA-/A1+	Negative	PACRA	Dec'19

DFIs | Rated Universe

Development Financial Institution		Year of Incorporation	Latest Rating	Outlook	Rating Agency	Date
Sr. #	Specific Objective DFIs					
1	Zarai Taraqati Bank Limited	2002	AAA/A1+	Stable	Other CRA	Jun'19
2	Pakistan Mortgage Refinance Company Limited	2015	AAA/ A1+	Stable	Other CRA	Apr'20
3	Pakistan Microfinance Investment Company Limited	2016	AA/A1+	Stable	PACRA	Dec'19
4	House Building Finance Company Limited	2007	A/ A1	Positive	Other CRA	May'19

JVFIs | Asset Base

(PKR mln)

Growth		
Dec-19	Dec-18	Dec-17
58%	-10%	62%
119%	3%	1%
18%	63%	-13%
93%	-13%	-9%
69%	-19%	8%
42%	7%	1%
16%	5%	-5%

Total Assets					
Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
1	Pak Oman	92,083	58,110	64,669	39,806
2	Pak Kuwait	65,781	29,977	29,129	28,941
3	Pak Brunei	57,773	48,793	29,869	34,391
4	Saudi Pak	37,085	19,191	22,167	24,332
5	Pak China	33,403	19,762	24,421	22,518
6	Pak Libya	29,089	20,428	19,163	18,896
7	PAIR	21,475	18,525	17,686	18,598
Total		336,689	214,787	207,104	187,483
Growth YoY		57%	4%	10%	-

- Average industry asset base grew by 57%; much higher compared to previous years'
- Asset Base of JVFI's majorly comprise of Investments and then advances
- Leading growth witnessed by Pak-Kuwait of 119% YoY - attributable to investments

JVFI | Advances

(PKR mln)

System Share			Advances					
Sep-19	Dec-18	Dec-17	Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
28%	29%	29%	1	Pak Oman	20,024	20,480	18,788	14,834
9%	4%	5%	2	Pak Kuwait	6,655	2,698	3,166	4,422
26%	29%	29%	3	Pak Brunei	18,771	20,330	18,768	13,996
11%	11%	13%	4	Saudi Pak	7,869	7,865	8,458	8,256
13%	11%	12%	5	Pak China	9,286	7,620	7,900	6,040
6%	6%	6%	6	Pak Libya	4,525	4,350	3,593	2,838
7%	9%	7%	7	PAIR	5,390	6,224	4,653	5,424
Total					72,521	69,567	65,326	55,811
Growth YoY					4%	6%	17%	-

- Advances witnessed meager 4% growth YoY
- Highest market share in terms of advances secured by Pak Oman and Pak Brunei; 28% & 26% YoY respectively.
- High rated institutions have lesser market presence in terms of advances
- Segment Analysis reveals higher advances parked with textile, power and sugar sector

JVFI | Investments

(PKR mln)

Growth		
Dec-19	Dec-18	Dec-17
109%	-29%	93%
118%	13%	8%
22%	240%	-54%
475%	-56%	-17%
92%	-28%	79%
61%	22%	-26%
30%	2%	-7%

Investments					
Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
1	Pak Oman	59,376	28,433	40,241	20,832
2	Pak Kuwait	56,341	25,815	22,923	21,206
3	Pak Brunei	31,817	26,117	7,679	16,658
4	Saudi Pak	23,904	4,159	9,468	11,349
5	Pak China	19,130	9,976	13,848	7,734
6	Pak Libya	19,020	11,832	9,700	13,184
7	PAIR	14,664	11,260	11,044	11,843
Total		224,252	117,593	114,903	102,806
Growth YoY		91%	2%	12%	-

- Investments recorded drastic increase by 91% YoY where all players enhanced investment in government securities

JVFI | Investments / Assets

Investments / Total Assets					
Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
1	Pak Oman	64.5%	48.9%	62.2%	52.3%
2	Pak Kuwait	85.6%	86.1%	78.7%	73.3%
3	Pak Brunei	55.1%	53.5%	25.7%	48.4%
4	Saudi Pak	64.5%	21.7%	42.7%	46.6%
5	Pak China	57.3%	50.5%	56.7%	34.3%
6	Pak Libya	65.4%	57.9%	50.6%	69.8%
7	PAIR	68.3%	60.8%	62.4%	63.7%

- Key reliance non-core function
- All JVFI's have major reliance on investment book with more than 50% contribution in total asset book
- Comprehensive investment and /or treasury policies addressing several dimensions of market risk is essential. Quantum, weighted average duration of portfolio and assigned cap limit remains vital.

JVFI | Equity

(PKR mln)

Share		
Sep-19	Dec-18	Dec-17
9%	9%	10%
35%	31%	29%
11%	12%	13%
13%	15%	14%
17%	18%	17%
5%	5%	6%
10%	11%	11%

Equity					
Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
1	Pak Oman	8,353	8,143	8,123	8,107
2	Pak Kuwait	33,535	26,549	24,807	22,822
3	Pak Brunei	10,549	9,960	10,658	10,491
4	Saudi Pak	13,003	12,649	12,205	12,386
5	Pak China	16,632	15,361	14,668	14,001
6	Pak Libya	5,254	4,168	4,713	4,669
7	PAIR	9,471	9,110	9,255	9,367
	Total	96,797	85,941	84,431	81,843
	Growth YoY	13%	2%	3%	-

- Total equity base witnessed uptick of 13% YoY
- Higher equity base of Pak-Kuwait and Pak-China; supplemented by strong profitability of both players through the years

JVFI | Funding Base

System Share		
Dec-19	Dec-18	Dec-17
71%	77%	61%
0%	0%	0%
5%	6%	28%
4%	0%	0%
0%	0%	0%
13%	6%	0%
6%	10%	11%

(PKR mln)

Deposits					
Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
1	Pak Oman	8,576	9,010	10,501	5,343
2	Pak Kuwait	-	35	3	4
3	Pak Brunei	620	725	4,751	2,913
4	Saudi Pak	510	8	8	131
5	Pak China	-	-	-	-
6	Pak Libya	1,551	644	39	463
7	PAIR	775	1,222	1,814	2,080
Total		12,033	11,644	17,115	10,934
Growth YoY		3%	-32%	57%	-

Share		
Dec-19	Dec-18	Dec-17
34%	36%	44%
13%	1%	3%
21%	33%	14%
10%	5%	9%
7%	4%	10%
10%	14%	14%
5%	7%	6%

(PKR mln)

Borrowings					
Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
1	Pak Oman	73,681	39,962	44,608	25,151
2	Pak Kuwait	28,953	1,371	2,562	2,661
3	Pak Brunei	45,152	36,890	13,967	20,493
4	Saudi Pak	22,759	5,771	9,077	10,718
5	Pak China	16,119	4,181	9,577	8,196
6	Pak Libya	21,914	15,353	14,367	13,392
7	PAIR	10,843	7,916	6,371	6,550
Total		219,422	111,444	100,528	87,161
Growth YoY		97%	11%	15%	-

- Miniscule contribution of deposits in funding base attributable to intense competitive environment
- Major reliance of industry on borrowings for funding; very high growth in the last year
- Borrowings are majorly from money market

JVFI | Leverage

Leverage (Borrowing/ Total Asset)				
Sr #	JVFI	Dec-19	Dec-18	Dec-17
1	Pak Oman	0.8	0.7	0.7
2	Pak Kuwait	0.4	0.0	0.1
3	Pak Brunei	0.8	0.8	0.5
4	Saudi Pak	0.6	0.3	0.4
5	Pak China	0.5	0.2	0.4
6	Pak Libya	0.8	0.8	0.7
7	PAIR	0.5	0.4	0.4

- Higher quantum of borrowings from money market
- Increasing trend recorded in leverage of JVFI

JVFI | NIMR

(PKR mln)

Growth		
Dec-19	Dec-18	Dec-17
22%	-2%	0%
57%	35%	-19%
2%	30%	9%
27%	-19%	-11%
58%	13%	37%
-71%	-2%	-15%
117%	-34%	-7%

NIMR					
Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
1	Pak Oman	1,021	840	856	852
2	Pak Kuwait	1,351	862	637	784
3	Pak Brunei	734	719	553	507
4	Saudi Pak	763	603	743	834
5	Pak China	1,713	1,082	954	697
6	Pak Libya	77	260	265	313
7	PAIR	943	435	658	710
Total		6,602	4,801	4,665	4,697
Growth YoY		38%	3%	-1%	-

- NIMR recorded 38% average growth YoY
- Leading growth witnessed by Pak Kuwait and Pak china mainly attributable to peaked interest rate environment

JVFI's | Profit Before Tax

(PKR mln)

Growth		
Dec-19	Dec-18	Dec-17
-9%	1%	-27%
64%	36%	-37%
-9%	-25%	-50%
-42%	-19%	-11%
17%	-6%	13%
6%	-410%	-92%
NA	-97%	-57%

Profit Before Tax					
Sr #	JVFI	Dec-19	Dec-18	Dec-17	Dec-16
1	Pak Oman	682	749	745	1,025
2	Pak Kuwait	5,768	3,515	2,594	4,128
3	Pak Brunei	458	503	671	1,333
4	Saudi Pak	405	698	860	963
5	Pak China	1,066	912	970	858
6	Pak Libya	(277)	(261)	84	1,042
7	PAIR	394	11	368	861
Total		8,496	6,129	6,291	10,210
Growth YoY		39%	-3%	-38%	-

- Industry's profitability witnessed 39% growth YoY, compared to negative growth trend in previous years
- Highest profit secured by Pak Kuwait among industry players; primarily attributable to robust investment income
- Identification of niche market for development of sustainable core income avenues remains essential

Specific Objective DFI | PMIC

Pakistan Microfinance Company Limited				
Financial Position				
<i>PKR mln</i>	Dec-19	Dec-18	Dec-17	Dec-16
Total Investment	1,715	825	950	2,350
Financing - Net	22,823	20,533	11,381	-
Cash & Bank Balances	806	56	67	
Total Assets	27,192	22,087	12,837	5,917
Loans & Borrowings	7,568	1,999	-	-
Subordinated loans	11,204	13,490	6,699	-
Equity	6,286	6,245	5,969	5,817
Total Equity & Liabilities	27,192	22,087	12,837	5,917
Performance Indicators				
<i>PKR mln</i>	Dec-19	Dec-18	Dec-17	Dec-16
Revenue	3,633	1,739	713	17
PBT	68	399	185	(66)
PAT	39	277	152	(67)

- 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
- Business activities of PMIC can be divided into two categories; i) Financial solutions and ii) Microfinance plus products
- Financial solutions includes, wholesale credit, Subordinated debt, guarantees, advisory, and other investment services. The company would focus on innovating the existing product line. Lending products are planned out for Microfinance Banks (MFBs) and Non-bank microfinance institutions (MFIs)
- During CY19, significant dip in profitability driven by one exposure turned non-performing. PMIC is on track with forecasted performance in terms of lending targets. Liquidity and capitalization indicators remained in comfortable range.

DFIs – Sector Conclusion

- Advances recorded marginal growth in recent years. Same trend expected to continue in upcoming year attributable to outbreak of Covid-19 and its implications on profitability of entities operating in various sectors.
- Major reliance on treasury function; sizable growth in investments in recent year. Comprehensive investment and /or treasury policies addressing several dimensions of market risk is essential. Quantum, weighted average duration of portfolio and assigned cap limit remains vital.
- Main reliance on borrowings for funding
- Covid-19 has posed challenges to all segments of the economy, worldwide and domestically, most sectors are getting negatively impacted. The ramifications would continue to unfold, warranting vigilance and timely actions where needed.
- The central bank has taken well-tailored and comprehensive actions including reduction in key policy rates (~525bps down since January 2020) and deferment of repayment obligations for a defined period. While reduction in interest rates would determine the institution's profitability, these measures have cushioned the allied risks surrounding the credit exposures.

Analysts**Sehar Fatima**

Assistant Manager – Ratings
sehar.fatima@pacra.com

Jhangeer Hanif

Unit Head – Ratings
jhangeer@pacra.com

Contact Number: +92 42 3586 9504

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