



# Development Financial Institutions

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# Development Financial Institutions

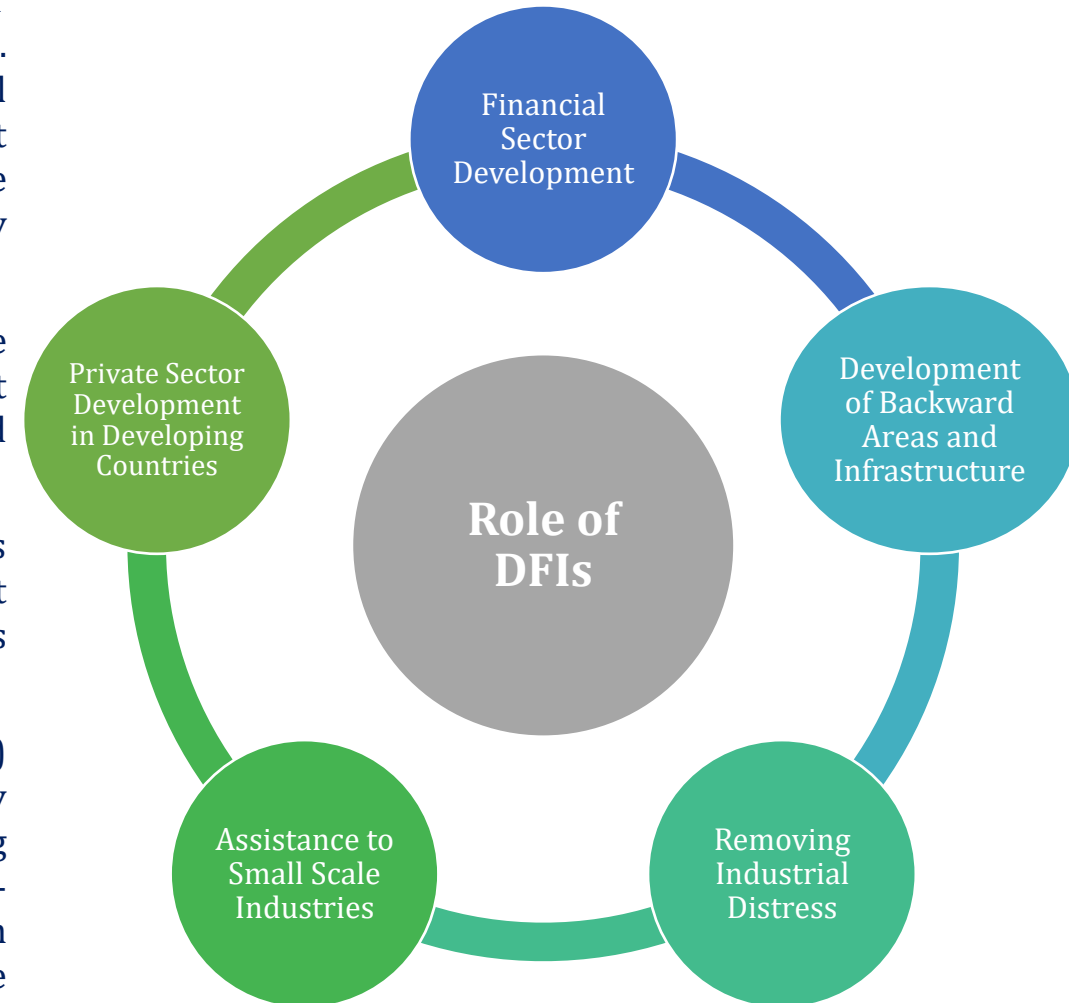
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# Development Financial Institutions

## Introduction

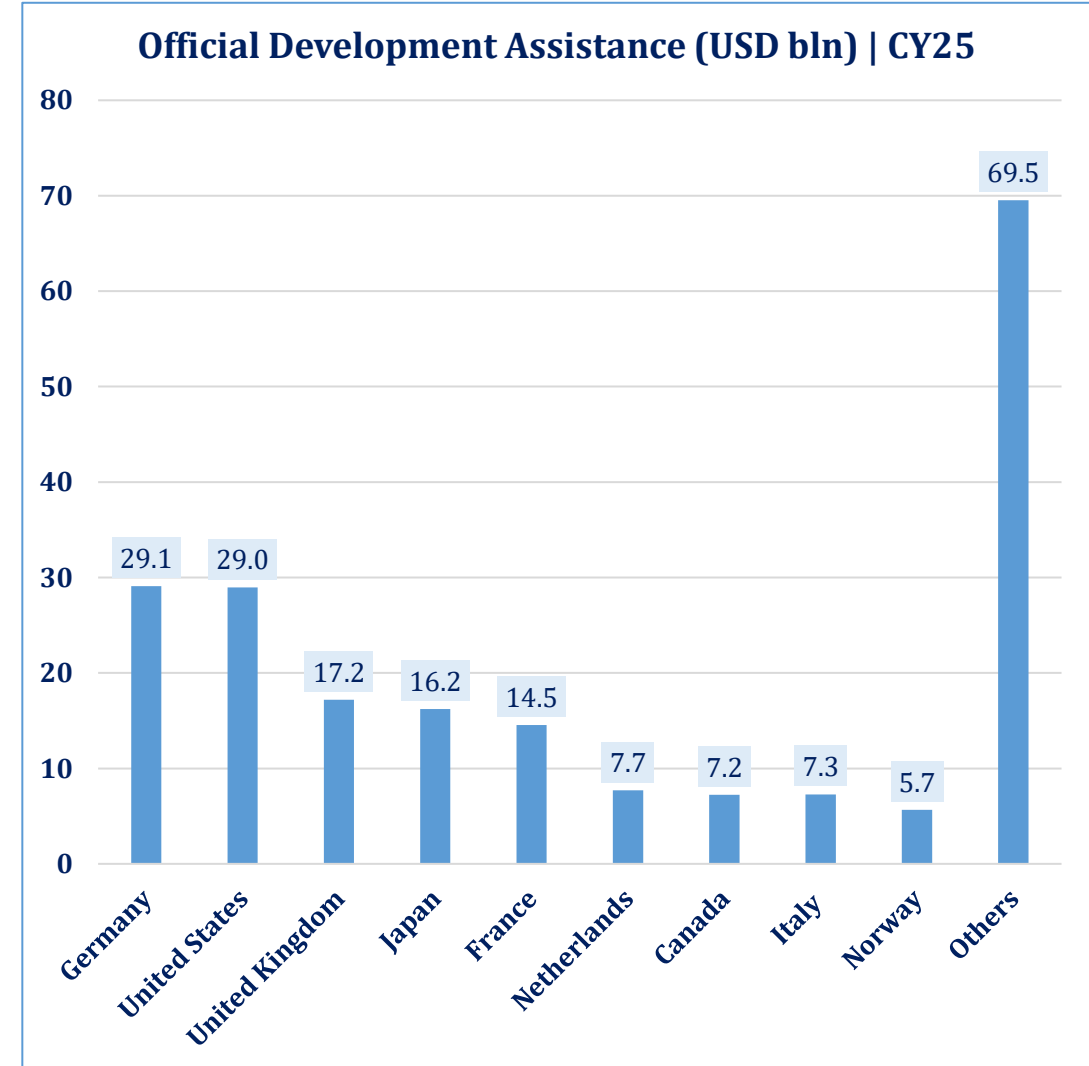
- Development Financial Institutions (DFIs) are specialised development banks or institutions set up to support private sector development in developing countries. They are usually majority-owned by national governments and source their capital from national and/or international development funds or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



# Development Financial Institutions

## Global | Overview

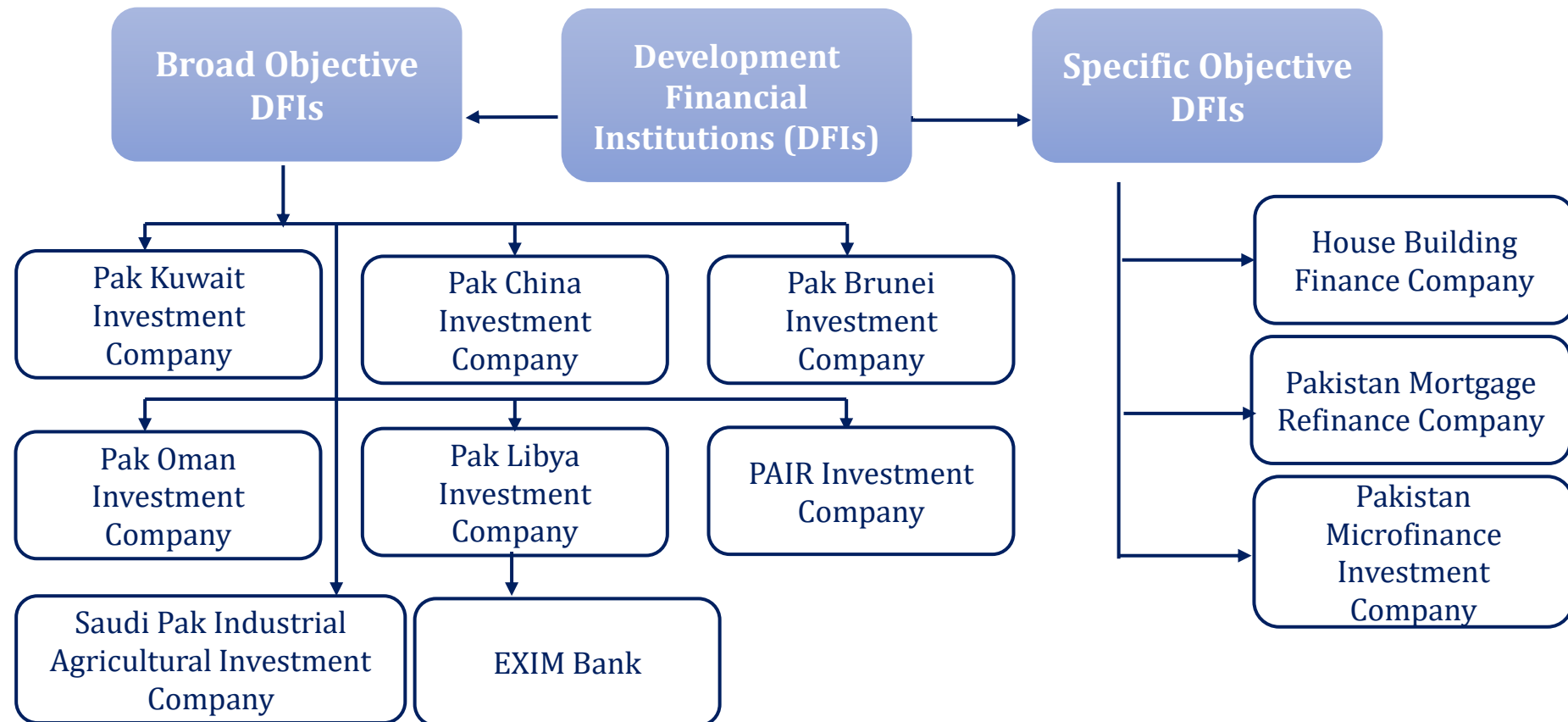
- Official Development Assistance (ODA) was established by the Development Assistance Committee (DAC) in 1969. The DAC aims to promote sustainable development, inclusive growth, and poverty reduction in developing countries. Its ultimate goal is a future where no country depends on aid. There are ~32 DAC members contributing to ODA.
- Official Development Assistance (ODA) refers to government aid to foster economic development and well-being in developing nations.
- ODA was recorded at USD~174.2bn in CY25, down ~23.1% YoY (CY24: USD~226.7bn). It is the largest annual contraction on record and a second consecutive year of decline, bringing ODA to where it stood at the start of the 2030 Agenda for Sustainable Development.
- The decline in global ODA was heavily concentrated among a few major donors. Germany, the United States, the United Kingdom, Japan, and France together attributed to ~95.7% of the total fall. Of these, the United States stood out the most, with its contributions shrinking by approximately ~56.9% compared to 2024, the largest reduction any provider has recorded in a single year.
- Funding directed at development programs, projects, and technical cooperation (excluding in-donor refugee costs, humanitarian aid, and debt relief) fell by ~26.3%, the steepest decline ever recorded for this component. This is particularly notable given the historical resilience of these flows, which had grown by ~24.2% between 2019 and 2023. The sharp contraction in 2025 indicates that cuts have moved beyond the more volatile aid components, such as in-donor refugee costs and humanitarian aid, reaching into development financing.



# Development Financial Institutions

## Local | Overview

- There are two categories of Development Financial Institutions (DFIs) operating in Pakistan. Broad Objective DFIs and Specific Objective DFIs. Broad objective DFIs, also known as Joint Venture Financial Institutions (JVFI), 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 the State Bank of Pakistan. The remaining ~50% is owned by the respective foreign governments through relevant institutions.
- Meanwhile, ownership structures of specific objective DFIs are more varied, with shareholding held by national and international financial and developmental institutions.



# Development Financial Institutions

## Local | Financial Position

Figures in PKR mn

Assets	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
Cash & Balances With Treasury Banks	2,831	2,055	2,498	3,590	9,685	3,478	9,298
Balances With Other Banks	24,230	5,580	16,147	7,202	18,724	6,993	11,630
Lending To Financial Institutions	8,534	25,419	5,136	39,688	6,192	4,326	13,158
Investments - Net	338,433	1,168,014	2,024,569	1,647,707	1,012,980	1,267,241	1,045,591
Advances - Net	140,443	188,075	188,208	191,059	235,300	194,281	239,345
Operating Fixed Assets & Other Assets	24,224	42,314	101,583	90,238	68,208	9,962	77,404
<b>Total Assets</b>	<b>538,696</b>	<b>1,431,457</b>	<b>2,338,141</b>	<b>1,979,484</b>	<b>1,352,089</b>	<b>1,578,856</b>	<b>1,396,426</b>
Liabilities							
Borrowings From Financial Institutions	348,313	1,223,015	2,117,221	1,651,600	1,002,988	1,257,212	1,064,871
Deposits And Other Accounts	34,039	38,116	45,053	78,442	78,743	57,525	67,031
Other Liabilities	19,946	25,160	31,638	58,667	36,019	66,980	35,420
<b>Total Liabilities</b>	<b>402,298</b>	<b>1,286,291</b>	<b>2,193,912</b>	<b>1,788,709</b>	<b>1,117,750</b>	<b>1,381,717</b>	<b>1,167,322</b>
Equity							
Share Capital	84,201	84,571	84,581	97,796	98,797	97,796	98,797
Reserves	22,338	24,899	28,089	32,916	39,151	36,064	40,867
Unappropriated Profit	31,989	42,345	27,030	53,232	79,506	56,731	81,288
Surplus/Deficit On Revaluation of Assets	-2,130	-6,649	4,529	6,831	16,885	6,547	8,152
<b>Total Equity</b>	<b>136,398</b>	<b>145,165</b>	<b>144,229</b>	<b>190,775</b>	<b>217,454</b>	<b>197,138</b>	<b>229,104</b>

*Note: Data pertains to 07 JVFIs (covered later), House Building Finance Corporation and Pakistan Mortgage Refinance Company.*

# Development Financial Institutions

## Local | Operating Position

Figures in PKR mn

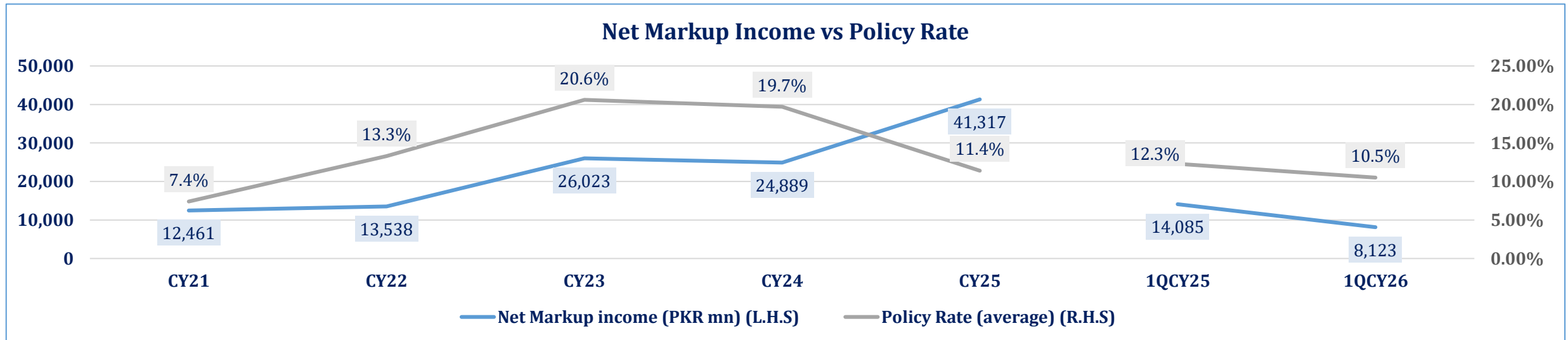
- Net markup income (NMI) for the DFI sector declined sharply in 1QCY26, falling ~42.3% year-on-year from PKR~14,085 mn to PKR~8,123 mn. The primary driver was a high base effect, as 1QCY25 results were elevated by strategic treasury positions locked into high-yield government securities ahead of the SBP's rate-cutting cycle through CY25.
- As these positions matured and repriced at lower market rates, income normalized sharply. This was compounded by the size of DFI investment portfolios relative to their loan books (a single DFI held PKR~292 bn in investments versus only PKR~19 bn in advances) as balance sheet yields were overwhelmingly driven by government securities.
- Total Non-Markup Income for the Sector rose ~51% YoY from PKR~3,373 mn to PKR~5,092 mn. This was partly driven by large and relatively recurring dividend income (PKR~4,388mn), alongside certain reversals on mark-to-market movements. However, the sustainability of this improvement remains uncertain, especially the mark-to-market revaluations. The recent increase in interest rates is expected to impact the value government securities portfolio (fixed price PIBs). This will be cushioned to an extent as yields on new portfolio will be higher.
- The higher interest income on investments and non-interest income resulted in substantial increase in profitability in CY25. However, this trend has normalized in 1QCY26.

Key Financials	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
Net Mark-Up/Interest Income	12,461	13,538	26,023	24,889	41,317	14,085	8,123
Net Mark-Up/Interest Income After Provision	12,822	12,033	24,736	24,325	41,663	13,853	7,999
Total Non-Markup/Interest Income	9,089	13,732	12,889	22,357	20,574	3,373	5,092
Total Income	21,911	25,765	37,625	46,682	62,238	17,226	13,091
Total Non-Markup/Interest Expenses	6,995	7,335	9,330	9,751	11,554	2,819	2,946
<b>Profit/ (Loss) Before Taxation</b>	<b>14,915</b>	<b>18,429</b>	<b>28,296</b>	<b>36,931</b>	<b>50,683</b>	<b>14,407</b>	<b>10,145</b>
Less: Taxation	3,015	4,287	8,016	9,608	15,113	3,976	3,225
<b>Profit/ (Loss) After Taxation</b>	<b>11,901</b>	<b>14,143</b>	<b>20,279</b>	<b>27,323</b>	<b>35,571</b>	<b>10,431</b>	<b>6,920</b>

# Development Financial Institutions

## Local | Operating Position

- The ~42.3% decline in NMI during 1QCY26 is largely attributable to the monetary easing cycle initiated by the State Bank of Pakistan, with the policy rate having fallen to an average of ~10.5% during 1QCY26 compared to ~12.3% during the corresponding period last year.
- The compression in NMI reflects the significant decline in investment income, which constitutes the dominant share of DFIs' earning asset base. As rates declined, yields on the sizable investment portfolio repriced downward sharply, while funding costs on certain fixed-rate liabilities remained relatively sticky in the near term. The net effect has been a meaningful squeeze on spreads, translating directly into the sharp NMI contraction observed.
- The SBP increased the policy rate by 100bps to 11.5% on April 27, 2026, marking the first-rate hike in nearly three years. Higher market rates will allow DFIs to reinvest maturing T-bills, floating-rate PIBs, and other short-term government securities at better yields, leading to higher investment income.



**Note:** Data pertains to 07 JVFIs (covered later), House Building Finance Corporation and Pakistan Mortgage Refinance Company.

# Development Financial Institutions

## Key Ratios

Key Ratios (%)	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
<b>Capital Adequacy</b>							
Total Capital to Total RWA	38.7	36.5	43.3	52.5	56.7	56.3	53.5
Tier-1 Capital to Total RWA	38.3	35.9	41.6	50.5	52.5	54.2	51.4
<b>Asset Quality</b>							
NPLs to Total Loans	9.51	7.3	7.4	8.0	6.3	8.2	6.3
Provision to NPLs (coverage)	84.9	87.9	114.8	104.1	110.6	103.0	109.9
<b>Profitability</b>							
ROA after Tax	2.4	1.6	0.9	1.2	2.3	2.3	2.0
ROE after Tax	8.9	10.1	13.3	17.1	16.8	21.5	11.9
Net Interest Income to Gross Income	57.8	49.6	66.9	52.7	66.8	80.7	61.5
Operating Expense to Gross Income	32.5	26.9	24	20.6	18.7	16.1	22.3
<b>Liquidity</b>							
Liquid Assets/ Total Assets	54.8	77.9	85.5	82.9	72.4	77.9	72.9
Liquid Assets/ Short-term Liabilities	98	98.2	95.9	110.1	95.1	96.1	94.7

*Note: Data pertains to 07 JVFIs (covered later), House Building Finance Corporation and Pakistan Mortgage Refinance Company.*

# Development Financial Institutions

## JVFI | Assets

- The asset base of JVFI shrank by ~14.1% YoY in 1QCY26 and stood at PKR~1,300bn. The decline in total assets is largely attributable to the decline in investments (~8.3%), which constituted ~80.2% of JVFI asset base as of End Mar'26 (SPLY: ~80.8%). The Sector's total assets registered a decline of ~31.7% YoY during CY25, standing at PKR~1,352bn while the asset base of the JVFI segment also decreased by ~37.0% during the same period.
- During 1QCY26, Pak Kuwait Investment Company (PKIC) had the largest contribution to total assets of JVFI, clocking in at PKR~493.7bn (CY25: ~PKR 404.8bn), a share of ~38.0%.

Sr.	JVFI	Total Assets (PKR mn)							YoY Asset Growth (%)						
		CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	Pak Kuwait	135,034	798,096	1,139,450	553,341	404,847	433,472	493,674	26.0%	491.0%	43.0%	-51.4%	-26.8%	-62.7%	13.9%
2	Pak Oman	128,260	157,700	367,003	387,117	286,568	344,171	325,949	32.0%	23.0%	133%	5.5%	-26.0%	-11.9%	-5.3%
3	Pak Brunei	51,450	79,938	188,070	201,999	143,694	165,364	135,254	28.0%	55.0%	135%	7.4%	-28.9%	-25.6%	-18.2%
4	Saudi Pak	44,688	53,607	56,137	170,625	52,529	48,234	52,150	-7.0%	20.0%	5.0%	203.9%	-69.2%	-20.6%	8.1%
5	Pak Libya	40,621	124,691	446,084	373,288	207,112	334,634	202,870	10.0%	207.0%	258.0%	-16.3%	-44.5%	-6.1%	-39.4%
6	Pak China	34,723	94,215	44,984	81,850	44,677*	36,855	44,677*	11.0%	171.3%	-52.3%	82.0%	-45.4*	-32.0%	21.2%*
7	PAIR	25,014	32,741	34,442	40,436	45,590	45,530	45,590*	17.0%	31.0%	5%	17.4%	12.7%	16.7%	0.1%*
	<b>Total</b>	<b>459,790</b>	<b>1,246,773</b>	<b>2,276,170</b>	<b>1,808,656</b>	<b>1,185,017</b>	<b>1,408,260</b>	<b>1,300,215</b>	<b>20.4%</b>	<b>171.2%</b>	<b>82.6%</b>	<b>-20.5%</b>	<b>-37.0%</b>	<b>-38.4%</b>	<b>-14.1%</b>

\*Note: Data for Pak China CY25 has been assumed to be the same as 1HCY25, while 1QCY26 has been assumed to be the same as CY25. Data for PAIR 1QCY26 has been assumed to be the same as CY25. This has been done due to unavailability of latest data.

# Development Financial Institutions

## Assets | Investments

- Sector investments declined ~8.3% YoY in 1QCY26 to PKR ~1,043bn from PKR ~1,138bn in 1QCY25, as Sector players largely refrained from rolling over maturing T-Bills and PIBs amid declining interest rate environment averaging ~10.5% during the quarter. Almost all JVFI, except Pakistan Kuwait Investment Company and Pak China, registered a decline in investments.
- Pak Libya Holding Company recorded the sharpest contraction among peers, with investments declining ~41.5% YoY, consistent with a broader balance sheet contraction of ~39.4%.

Sr.	JVFI	Investments (PKR mn)							YoY Investment Growth (%)						
		CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	Pak Kuwait	103,845	724,288	1,045,809	451,725	325,402	352,872	410,530	14.80%	597.50%	44.5%	-56.8%	-28.0%	-66.9%	16.3%
2	Pak Oman	101,788	125,711	335,736	353,409	254,686	307,594	292,135	50.20%	23.50%	166.7%	5.3%	-27.9%	-14.0%	-5.0%
3	Pak Brunei	26,247	44,805	158,671	168,748	107,589	107,589	96,344	50.0%	71.00%	253.3%	6.4%	-36.2%	-31.0%	-10.5%
4	Saudi Pak	31,131	36,321	35,337	145,018	22,737	24,576	21,906	-12.40%	16.7%	-2.7%	310.4%	-84.3%	-42.7%	-10.9%
5	Pak Libya	27,212	106,687	418,576	338,341	181,174	302,300	176,921	9.20%	292.1%	292.3%	-19.2%	-46.5%	-5.9%	-41.5%
6	Pak China	18,032	73,440	18,156	54,435	16,611*	13,373	16,611*	15.20%	307.3%	-75.3%	199.8%	-69.5%*	-49.3%	24.2%*
7	PAIR	16,975	21,089	22,651	25,923	28,427	29,670	28,427*	24.30%	24.00%	7.0%	14.4%	9.7%	24.3%	-4.2%*
	<b>Total</b>	<b>325,230</b>	<b>1,058,901</b>	<b>2,034,936</b>	<b>1,537,599</b>	<b>936,626</b>	<b>1,137,974</b>	<b>1,043,029</b>	<b>22.5%</b>	<b>225.6%</b>	<b>92.2%</b>	<b>-24.4%</b>	<b>-39.1%</b>	<b>-43.9%</b>	<b>-8.3%</b>

\*Note: Data for Pak China CY25 has been assumed to be the same as 1HCY25, while 1QCY26 has been assumed to be the same as CY25. Data for PAIR 1QCY26 has been assumed to be the same as CY25. This has been done due to unavailability of latest data.

# Development Financial Institutions

## JVFI | Share of Investments in Total Assets

- The sector's Investments-to-Total Assets ratio stood at ~68.4% in 1QCY26, slightly lower than ~67.5% in 1QCY25, indicating a broadly stable asset mix. Pak Oman and Pak Kuwait remained the most investment-focused DFIs, with their ratios increasing to ~90% and ~83%, respectively, while Pak Brunei's investment ratio declined to ~71% from ~79% with simultaneous growth in advances.
- The sector's Investments-to-Total Assets ratio declined from ~80.4% in CY24 to ~67.8% in CY25, indicating a shift away from investments. The decline was driven mainly by Saudi Pak and Pak China, whose ratios fell from ~85.0% to ~43.3% and ~66.5% to ~37.2%, respectively. During CY25 JVFI's increased their advances, a trend which continued into 1QCY26.

Investments/Total Assets								
Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	Pak Kuwait	76.9%	90.8%	91.8%	81.6%	80.4%	81.4%	83.2%
2	Pak Oman	79.4%	79.7%	91.5%	91.3%	88.9%	89.4%	89.6%
3	Pak Brunei	51.0%	56.0%	84.4%	83.5%	74.9%	79.2%	71.2%
4	Saudi Pak	69.7%	67.8%	62.9%	85.0%	43.3%	51.0%	42.0%
5	Pak Libya	67.0%	85.6%	93.8%	90.6%	87.5%	90.3%	87.2%
6	Pak China	51.9%	77.9%	40.4%	66.5%	37.2%*	36.3%	37.2%*
7	PAIR	67.9%	64.4%	65.8%	64.1%	62.4%	65.2%	62.4%*
	<b>Avg</b>	<b>66.2%</b>	<b>74.6%</b>	<b>75.8%</b>	<b>80.4%</b>	<b>67.8%</b>	<b>68.4%</b>	<b>67.5%</b>

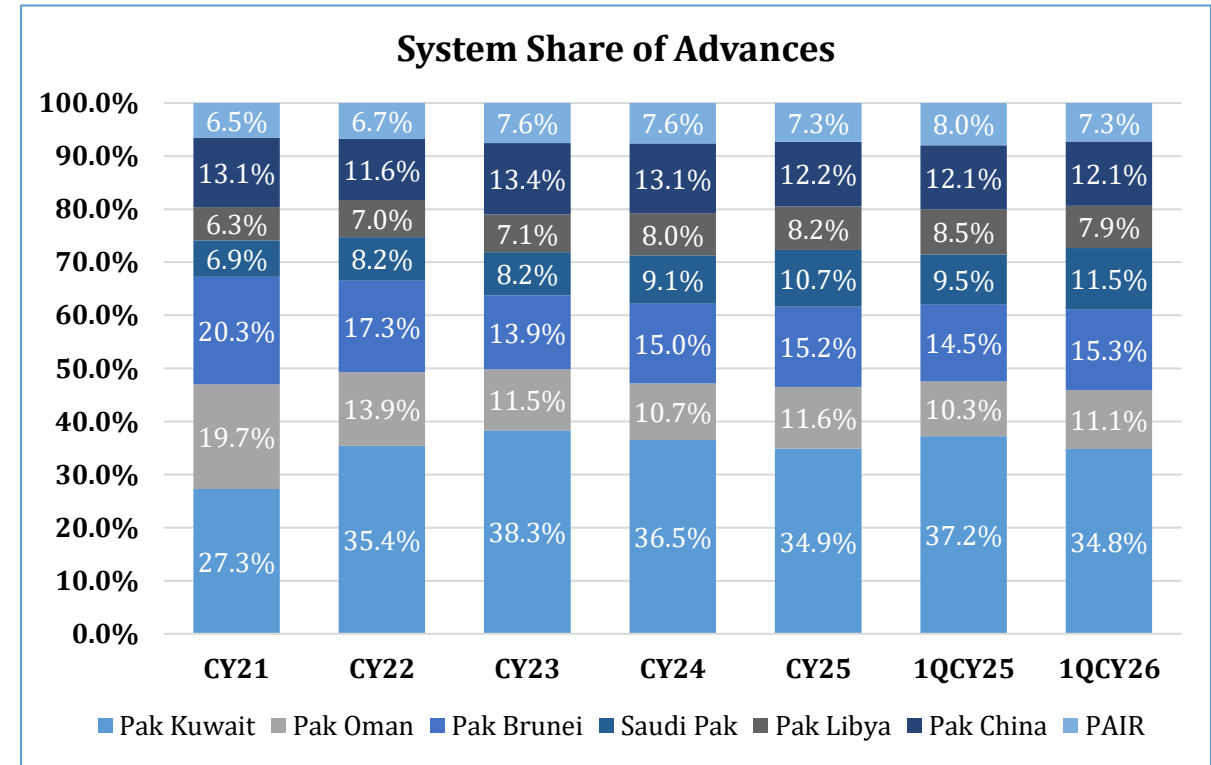
\*Note: Data for Pak China CY25 has been assumed to be the same as 1HCY25, while 1QCY26 has been assumed to be the same as CY25. Data for PAIR 1QCY26 has been assumed to be the same as CY25. This has been done due to unavailability of latest data.

# Development Financial Institutions

## JVFI | Advances

- Saudi Pak led the growth in advances at ~50.7%, the most significant expansion in the peer group, rising from PKR~13,383mn to PKR~20,164mn, as the focus shifted to lending. Pak Oman and Pak Brunei also expanded strongly, as both grew advances by ~32.9% and ~31.2% respectively.
- These changes suggest a deliberate shift among Sector Players toward loan book growth as the easing interest rate cycle made government securities relatively less attractive.

Sr.	JVFI	Advances (PKR mn)						
		CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	<b>Pak Kuwait</b>	27,359	49,598	53,845	51,271	60,770	52,572	60,962
2	<b>Pak Oman</b>	19,720	19,421	16,180	15,015	20,166	14,624	19,428
3	<b>Pak Brunei</b>	20,300	24,208	19,610	21,141	26,387	20,420	26,783
4	<b>Saudi Pak</b>	6,868	11,475	11,472	12,724	18,562	13,383	20,164
5	<b>Pak Libya</b>	6,312	9,743	9,985	11,239	14,315	12,019	13,919
6	<b>Pak China</b>	13,113	16,198	18,854	18,451	21,229*	17,034	21,229*
7	<b>PAIR</b>	6,517	9,442	10,651	10,700	12,701	11,247	12,701*
<b>Total</b>		<b>100,189</b>	<b>123,887</b>	<b>121,743</b>	<b>140,541</b>	<b>174,130</b>	<b>141,299</b>	<b>175,186</b>



\*Note: Data for Pak China CY25 has been assumed to be the same as 1HCY25, while 1QCY26 has been assumed to be the same as CY25. Data for PAIR 1QCY26 has been assumed to be the same as CY25. This has been done due to unavailability of latest data.

# Development Financial Institutions

## JVFI | Credit Quality (Infection Ratio)

NPLs/ Gross Advances								
Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	Pak Kuwait	3.7%	2.0%	1.0%	1.7%	1.4%	1.7%	1.4%
2	Pak Oman	9.4%	11.0%	13.0%	19.6%	11.8%	16.7%	12.0%
3	Pak Brunei	5.0%	3.6%	5.0%	5.1%	3.9%	5.1%	6.7%
4	Saudi Pak	26.2%	30.5%	22.0%	18.8%	10.6%	15.2%	9.6%
5	Pak Libya	16.2%	12.3%	17.0%	19.6%	12.7%	17.8%	14.8%*
6	Pak China	9.7%	8.7%	6.5%	7.4%	6.4%*	7.9%	6.4%*
7	PAIR	24.8%	18.1%	19.0%	18.4%	14.1%	15.8%	14.1%*
	<b>Average</b>	<b>13.6%</b>	<b>12.3%</b>	<b>11.9%</b>	<b>11.6%</b>	<b>8.7%</b>	<b>11.4%</b>	<b>9.3%</b>

- Sector asset quality improved as the average NPL ratio fell from ~11.4% in 1QCY25 to ~9.3% in 1QCY26. Saudi Pak showed the most improvement as its NPL ratio reduced from ~15.2% to ~9.6%, while Pak Oman also improved significantly to ~12.0% from ~16.7%. This was on the back of increase in advances and better repayments.

\*Note: Data for Pak China CY25 has been assumed to be the same as 1HCY25, while 1QCY26 has been assumed to be the same as CY25. Data for PAIR and Pak Libya 1QCY26 has been assumed to be the same as CY25. This has been done due to unavailability of latest data.

# Development Financial Institutions

## JVFI | Borrowings

		Borrowings (PKR mn)						
Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	Pak Kuwait	81,209	727,243	1,026,530	456,003	309,749	349,625	310,514
2	Pak Oman	103,997	132,901	340,891	349,588	247,488	309,253	297,490
3	Pak Brunei	40,285	68,320	174,594	184,383	121,273	145,575	145,575
4	Saudi Pak	26,457	36,775	37,199	145,684	29,114	25,521	28,657
5	Pak Libya	30,149	113,480	424,392	370,960	180,345	310,397	180,553
6	Pak China	16,062	20,336	21,789	23,799	16,107*	8,202	16,107*
7	PAIR	13,658	20,336	21,789	23,799	26,745	28,253	26,745*
<b>Total</b>		<b>311,817</b>	<b>1,171,232</b>	<b>2,047,361</b>	<b>1,583,297</b>	<b>922,916</b>	<b>1,176,826</b>	<b>817,214</b>
<b>Growth YoY</b>		<b>12.1%</b>	<b>331.3%</b>	<b>74.8%</b>	<b>-22.7%</b>	<b>-41.2%</b>	<b>-42.6%</b>	<b>-14.5%</b>

- Sector borrowings declined to PKR~817bn in 1QCY26 from PKR~1,177bn in 1QCY25, reflecting continued deleveraging across the sector as the investment portfolio came down. Pak Kuwait and Pak Oman remained the largest borrowers at PKR~311bn and PKR~297bn, respectively, despite lower borrowings compared to last year. The decline is in line with the trend seen in CY25, when sector borrowings fell to PKR~864bn from PKR~1,469bn in CY24.
- The largest share in JVFI's total borrowing in 1QCY26 was of PKIC with PKR~311bn, equivalent to ~37.9% (1QCY25: ~29.7%), while Pak Oman's share in the segment's total borrowings was recorded at ~36.4% in 1QCY26 (SPLY: ~26.3%).

\*Note: Data for Pak China CY25 has been assumed to be the same as 1HCY25, while 1QCY26 has been assumed to be the same as CY25. Data for PAIR 1QCY26 has been assumed to be the same as CY25. This has been done due to unavailability of latest data.

# Development Financial Institutions

## JVFI | Deposits

- The sector's deposit mobilization fell by ~15.9% YoY in CY25. Deposits continued to decline by ~7.4% in 1QCY26 on a YoY basis where total deposits recorded at PKR~50bn (SPLY: PKR~55bn). Pak Kuwait and Pak Oman recorded the largest deposit portfolio among JVFI and accounted for ~74.5% of the segment's total deposits in 1QCY26 (SPLY: ~63.3%).
- PKIC's deposit base underwent a notable change in composition in 1QCY26, as NBF and mutual fund deposits declined sharply by ~33%, reflecting rate-sensitive depositors reallocating liquidity as term deposits matured and were not renewed at lower prevailing rates. This outflow was more than offset by a new PKR~12.0bn Public Sector Entity placement, which emerged as the primary driver of overall deposit growth.
- Pak Oman's total deposits declined modestly by ~3.3% YoY, as "Others", the bulk of the funding base, contracted ~14.4%. This was partially offset by a surge in financial institution placements, which grew over 6x to PKR ~1,573mn.

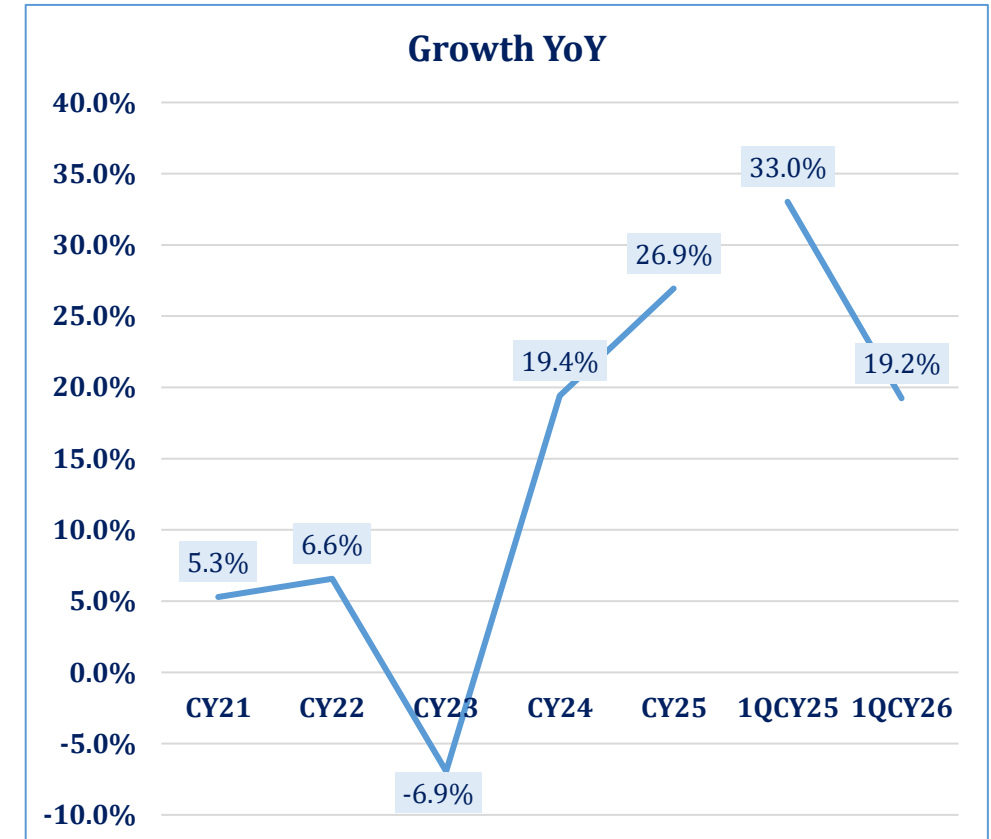
Deposits (PKR mn)								
Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	<b>Pak Kuwait</b>	6,265	13,685	19,271	39,006	24,663	22,097	25,572
2	<b>Pak Oman</b>	14,354	13,521	12,218	16,164	19,408	12,420	12,013
3	<b>Pak Brunei</b>	50	55	-	1,166	-	989	-
4	<b>Saudi Pak</b>	2,912	1,953	3,665	5,297	3,238	4,226	3,727
5	<b>Pak Libya</b>	4,576	5,627	6,804	-	12,585	7,754	9,152
6	<b>Pak China</b>	4750	1503	371	2,175	256*	2,175	256*
7	<b>PAIR</b>	1,132	1,772	2,724	4,501	6,073	4,863	6,073*
	<b>Total</b>	<b>34,039</b>	<b>38,116</b>	<b>45,053</b>	<b>78,443</b>	<b>66,223</b>	<b>54,524</b>	<b>56,793</b>

\*Note: Data for Pak China CY25 has been assumed to be the same as 1HCY25, while 1QCY26 has been assumed to be the same as CY25. Data for PAIR 1QCY26 has been assumed to be the same as CY25. This has been done due to unavailability of latest data.

# Development Financial Institutions

## JVFI | Equity

Equity (PKR mn)								
Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	Pak Kuwait	42,184	49,941	34,293	46,735	65,122	49,502	64,380
2	Pak Oman	8,756	8,700	8,739	10,072	15,203	10,672	12,453
3	Pak Brunei	10,232	10,003	10,839	12,658	15,430	12,762	14,049
4	Saudi Pak	14,459	14,044	14,179	16,235	17,964	16,491	17,707
5	Pak Libya	5,575	4,111	7,716	7,361	11,409	6,878	10,934
6	Pak China	18,172	19,616	21,780	25,179	27,474*	25,889	27,474*
7	PAIR	9,655	9,773	10,581	10,883	11,304	10,708	11,304*
	<b>Total</b>	<b>109,033</b>	<b>116,188</b>	<b>108,127</b>	<b>129,123</b>	<b>163,906</b>	<b>132,902</b>	<b>158,471</b>



- The sector's equity base clocked in at PKR~158.4bn in 1QCY26 (SPLY: PKR~132.9bn. Among the segment players, PKIC has the largest equity share (~53.9%), amounting to PKR~64.4bn (1QCY25: PKR~49.5bn). It was PKR~163.9bn in CY25, a YoY increase of ~26.9% on the back of strong profitability and retention.

\*Note: Data for Pak China CY25 has been assumed to be the same as 1HCY25, while 1QCY26 has been assumed to be the same as CY25. Data for PAIR 1QCY26 has been assumed to be the same as CY25. This has been done due to unavailability of latest data.

# Development Financial Institutions

## JVFI | Capital Adequacy

Capital Adequacy Ratio									Equity / Total Assets								
Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26	Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	Pak Kuwait	24.5%	19.7%	12.5%	41.3%	49.9%	45.1%	48.2%	1	Pak Kuwait	31.2%	6.3%	3.0%	8.4%	16.1%	11.4%	13.0%
2	Pak Oman	16.5%	21.9%	15.5%	33.5%	40.5%	37.2%	24.4%	2	Pak Oman	6.8%	5.5%	2.4%	2.6%	5.3%	3.1%	3.8%
3	Pak Brunei	29.4%	23.0%	26.6%	28.5%	29.7%	28.0%	28.0%	3	Pak Brunei	19.9%	12.5%	5.8%	6.3%	10.7%	7.7%	10.4%
4	Saudi Pak	47.2%	42.9%	41.8%	40.0%	42.6%	49.0%	41.2%	4	Saudi Pak	32.4%	26.2%	25.3%	9.5%	34.2%	34.2%	34.0%
5	Pak Libya	24.0%	16.7%	34.9%	30.3%	32.5%*	32.5%	32.5%*	5	Pak Libya	13.7%	3.3%	1.7%	2.0%	5.5%	2.1%	5.4%
6	Pak China	70.1%	55.6%	50.2%	52.3%	61.9%*	56.2%	61.9%*	6	Pak China	52.3%	20.8%	48.4%	30.8%	61.5%*	70.2%	61.5%
7	PAIR	49.5%	33.5%	36.6%	45.3%	38.5%	39.7%	38.5%*	7	PAIR	38.6%	29.8%	30.7%	26.9%	24.8%	23.5%	24.8%*
<b>Average</b>		<b>37.3%</b>	<b>30.5%</b>	<b>34.3%</b>	<b>38.7%</b>	<b>42.2%</b>	<b>41.1%</b>	<b>39.5%</b>	<b>Average</b>		<b>27.9%</b>	<b>14.9%</b>	<b>16.8%</b>	<b>12.4%</b>	<b>22.6%</b>	<b>21.7%</b>	<b>21.8%</b>

- The sector continues to have very strong CAR. The CAR stood at ~39.5% in 1QCY26 (1QCY25 : ~41.1%) as lending activities remain low. Among reporting institutions, Pak Kuwait strengthened its CAR further to ~48.2% from ~45.1%. Pak Oman saw the sharpest deterioration, with CAR declining from ~37.2% to ~24.4%. Pak Brunei remained stable at ~28.0%, while Saudi Pak declined moderately from 49.0% to 41.2%.
- In 1QCY26, the equity-to-total assets ratio remained stable at ~21.8% compared to ~21.7% in the same period last year. Saudi Pak remained the most conservatively leveraged entity at ~34.0%, while Pak Oman continued to reflect the highest leverage in the peer group at ~3.8%.

# Development Financial Institutions

## JVFI | Profitability

Profit Before Tax (PKR mn)									Profit After Tax (PKR mn)								
Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26	Sr.	JVFI	CY21	CY22	CY23	CY24	CY25	1QCY25	1QCY26
1	Pak Kuwait	9,508	13,995	31,476	16,982	26,268	7,308	5,961	1	Pak Kuwait	7,882	11,030	20,296	12,446	18,107	4,866	3,806
2	Pak Oman	651	501	941	871	5,263	1,187	473	2	Pak Oman	478	334	705	557	3,222	716	274
3	Pak Brunei	704	744	1,210	689	2181	710	-196	3	Pak Brunei	481	503	847	611	1,931	602	-436
4	Saudi Pak	1,341	394	558	1,363	1,862	550	243	4	Saudi Pak	922	311	508	920	1,323	320	144
6	Pak Libya	42	-218	561	1,829	2,984	1,117	762	5	Pak Libya	41	-307	330	358	1,751	543	468
5	Pak China	1,414	2,119	3,846	3,734	2,026*	1,271	2,026*	6	Pak China	919	1,324	2,378	2,440	1,300*	811	1,300*
7	PAIR	254	654	1,106	327	686	152	686*	7	PAIR	194	446	769	400	397	84	397*
<b>Total</b>		<b>13,210</b>	<b>18,189</b>	<b>37,638</b>	<b>25,795</b>	<b>41,270</b>	<b>12,295</b>	<b>9,995</b>	<b>Total</b>		<b>10,917</b>	<b>13,641</b>	<b>22,674</b>	<b>17,732</b>	<b>28,031</b>	<b>7,942</b>	<b>5,953</b>
<b>Growth YoY</b>		<b>0.6%</b>	<b>37.7%</b>	<b>106.9%</b>	<b>-31.5%</b>	<b>60.0%</b>	<b>163.7%</b>	<b>-18.7%</b>	<b>Growth YoY</b>		<b>7.9%</b>	<b>25.0%</b>	<b>66.2%</b>	<b>-21.8%</b>	<b>58.1%</b>	<b>136.4%</b>	<b>-25.0%</b>

- Sector profitability contracted in 1QCY26, with aggregate PBT and PAT declining ~18.7% and ~25.0% YoY to PKR~9,995mn and PKR~5,953mn respectively. This was primarily driven by the compression in net markup income as the investment book declined and interest rates came down. Pak Kuwait remained the largest earnings contributor at PKR~5,961mn PBT, while Pak Brunei was the only institution to record a loss, posting a PBT of PKR ~-196mn and PAT of PKR ~-436mn.

# Development Financial Institutions

## Pakistan Microfinance Investment Company

Figures in PKR mn

- 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.
- Total assets contracted sharply from PKR~192,041mn in CY24 to PKR~89,280mn in CY25, a decline of ~53%, driven almost entirely by a ~70% decrease in investments from PKR~152,162mn to PKR 44,995mn.
- Although financing (net) increased by ~50.0% YoY in CY25, it remained below historical levels seen during CY21-CY23. It contracted sharply by ~51.3% during CY24. The institution strategically reallocated assets from financing activities to investment securities to capitalize on favorable market yields and enhance risk-adjusted returns.
- The sharp expansion in PMIC's investment portfolio during CY24 reflected a strategic reallocation toward Pakistan Investment Bonds to capitalize on favorable yields ahead of expected interest rate easing, with PIB redemption value rising to PKR~144.6 bn from PKR~300 mn in the prior year. Although investments came down by ~70.4% in CY25, they still remained above historic levels

Financial Position					
	CY21	CY22	CY23	CY24	CY25
Total Investments	1,652	11,266	1,779	152,162	44,995
Financing - Net	26,984	28,621	29,634	14,432	21,502
Cash & Bank Balances	2,019	1,545	1,115	994	1,941
<b>Total Assets</b>	<b>30,655</b>	<b>41,432</b>	<b>32,528</b>	<b>192,009</b>	<b>89,280</b>
Loans & Borrowings*	10,290	21,278	11,000	166,249	63,655
Subordinated Loans	419	1,085	1,439	7,070	7,239
<b>Equity</b>	<b>7,273</b>	<b>7,915</b>	<b>8,805</b>	<b>9,502</b>	<b>10,424</b>
<b>Total Equity &amp; Liabilities</b>	<b>31,108</b>	<b>42,601</b>	<b>35,191</b>	<b>192,040</b>	<b>89,280</b>
Performance Indicators					
	CY21	CY22	CY23	CY24	CY25
<b>Revenue</b>	2,793	4,898	8,447	10,537	7,203
<b>Profit before Tax</b>	669	958	1,447	1,182	1,145
<b>Profit after Tax</b>	477	633	895	704	782

# Development Financial Institutions

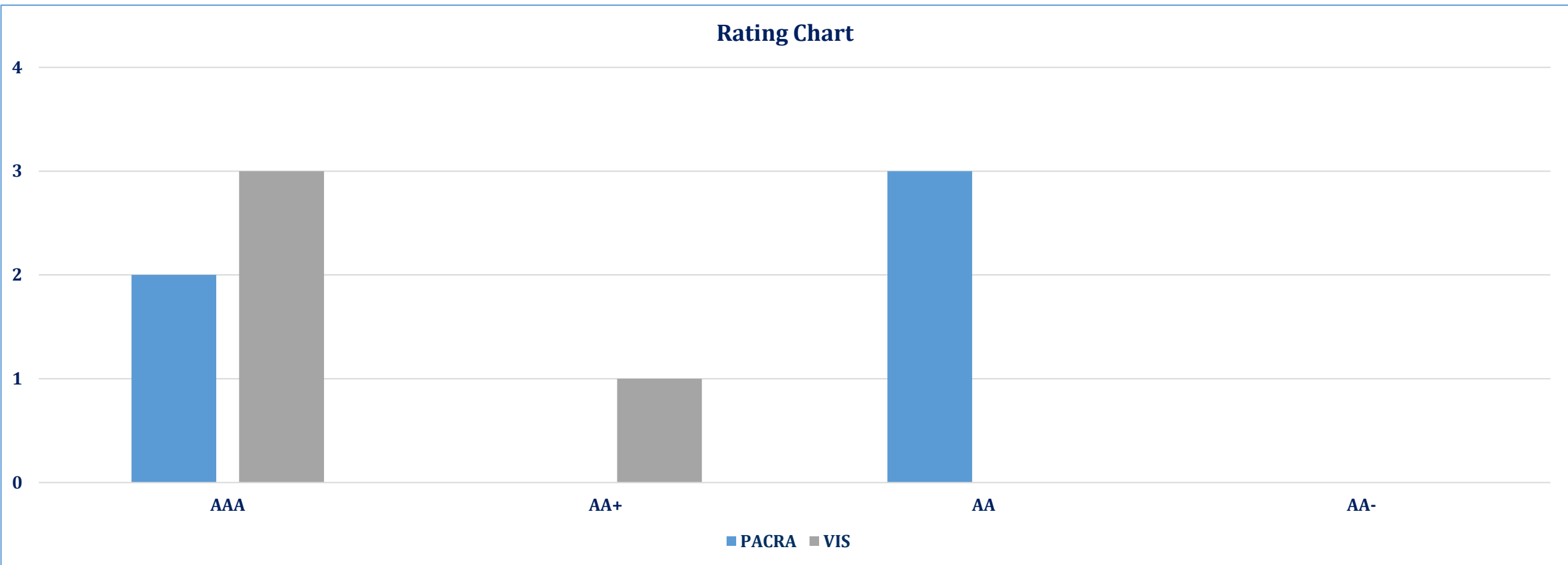
## Regulatory Framework

- The Development Financial Institutions (DFIs) operating in Pakistan are regulated by the State Bank of Pakistan (SBP) and are notified under section 3A of the Banking Companies Ordinance, 1962, which specifies the provisions and sections of the Ordinance that apply to DFIs.
- Furthermore, Sections 6, 13, 25, 25A, 25AA, 29, 31, 32, 33, 40, 41, 41A, 41B, 41C, 41D, 42, 47, 48, 49, 51, 58, 83, 84, and 94 will apply to DFIs, subject to adjustments by the State Bank as necessary for activities impacting its monetary or credit policies. In addition, DFIs are also required to comply with SBP's Prudential Regulations, which guide risk management, corporate governance and operations of financial institutions.
- As per SBP regulations, the Minimum Capital Requirement (MCR) for DFIs is PKR~6.0bn. Moreover, DFIs are required to maintain a Capital Adequacy Ratio (CAR) of ~11.5% (as of End-Dec'25).
- In Oct'20, SBP issued guidelines for DFIs to undertake Shariah-compliant businesses and operations, as a part of its effort to expand the scope of Shariah-compliant financial services in the country. Those DFIs who wish to commence Shariah-compliant business and operations will be required to apply to the State Bank for the issuance of a license and grant of permission, respectively, under these guidelines. These guidelines cover various areas, including minimum capital adequacy, requirements related to sponsor directors, business plan, Shariah governance, application fees, and preconditions for commencement of business.
- The implementation date of IFRS 9 – Financial Instruments for all the Development Financial Institutions (DFIs) is w.e.f. from January 01, 2024.
- In November 2025, SBP issued revised Prudential Regulations for SME Financing, applicable to both banks and DFIs, introducing a technology-driven framework for SME lending. Key changes include mandatory Board-approved SME finance strategies with 5-year targets, a 15-working-day turnaround time for credit applications, and requirements for digital credit scoring models and end-to-end digital onboarding. On the risk side, provisioning requirements are to be calculated as the higher of FSV-adjusted exposure or IFRS-9 ECL, with exposure limits capped at PKR 100mn for Small Enterprises and PKR 500mn for Medium Enterprises.

# Development Financial Institutions

## Rating Curve

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



# Development Financial Institutions

## Outlook : Stable

- In FY25, Pakistan's GDP (real) stood at PKR ~41.0tn, increasing, in real terms, by ~3.2% YoY (FY24: ~2.6% growth, while In 3QFY26, the GDP (Real) was registered at PKR ~31.8tn. For the DFIs Sector, total assets contracted by ~11.6% to PKR~1,396 bn, driven by a ~17.5% decline in investments to PKR~1,046 bn, while advances grew strongly by ~23.2% to PKR~239bn. Borrowings from financial institutions declined in tandem by ~15.3% to PKR~1,065bn, reflecting the ongoing unwinding of leveraged government securities positions. Net markup income compressed sharply by ~42.3% to PKR~8,123mn, with profit after tax declining by ~51.0% to PKR~6,920mn. Non-markup income partially cushioned the earnings decline, rising ~51.0% to PKR~5,092mn.
- The SBP's 100bps rate hike to 11.5% in April 2026 signals a potential reversal of the easing cycle, driven by elevated inflation and regional geopolitical. Should this tightening persist, DFIs may begin rebuilding their investment books in government securities at more attractive yields, partially reveruncertaintysing the sharp decline seen in 1QCY26. Net markup income, which contracted sharply in 1QCY26 following the drawdown of high-yielding securities, will remain under pressure in the near term.
- The sectoral pivot toward lending is expected to continue, with Saudi Pak, Pak Oman, and Pak Brunei having demonstrated strong advance growth momentum. As government securities yields remain relatively compressed, DFIs are likely to further deepen their lending portfolios as a primary earnings driver. The commercial launch of Raqami Islamic Digital Bank in early 2026 marks a significant strategic milestone for PKIC, positioning it as the first DFI to enter digital retail banking and opening new avenues for revenue diversification beyond its traditional reliance on government securities and Meezan Bank dividends.
- In May 2026, HBFC received approval for the restructuring its World Bank-backed Risk Sharing Facility by expanding its coverage from the suspended MPMG scheme to all low- and middle-income housing finance, including the new "Mera Ghar - Mera Ashiana" program. Performance targets have been revised downward to reflect the cancellation of a EUR 28 million capital injection and the macroeconomic difficulties of recent years. The restructuring is expected to reinvigorate HBFC's housing finance origination pipeline by deploying its currently underutilized RSF capital in a more conducive, declining interest rate environment.

# Development Financial Institutions

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- Pakistan Bureau of Statistics (PBS)
- PACRA Database
- JVFI's Financial Statements
- Organization for Economic Co-operation and Development (OECD)

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