ANNUAL DEBT REVIEW

FY-2025

MINISTRY OF FINANCE

PREPARED BY

DEBT MANAGEMENT OFFICE

CONTENTS

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OVERVIEW

In FY25, total Public Debt Stock increased by 13% to 80.5 trillion, with 68% comprising of domestic debt and 32% External debt.

Major reason for increase in debt stock was the financing of federal fiscal deficit, PKR 7.1 trillion. 91% of it was financed from domestic (PKR6.4 trillion) and remaining 9% (0.6 trillion) from external sources.

The FY-25 saw improvement in the maturity profile of domestic debt, with share of Short-term MTBs declined and share of long-term Instruments including fixed and floating rate has increased substantially.

External financing saw net retirement in bilateral borrowing, and higher net flows from commercial banking sources.

KEY ACHIEVEMENTS

Decelerating Debt Growth & Fiscal Discipline:

- High annual debt growth rates of 23% (FY22) and 28% (FY23) have been successfully contained to 13% in both FY24 and FY25 attributed to achieving a historic primary surplus in FY25.

Proactive Debt Management

- Conducted the first-ever early debt repayments of over PKR 1.5 trillion within FY-25.
- Successfully conducted the inaugural Green Sukuk auction.

Reduced Exchange Rate Vulnerability:

- In FY25, external debt's share of the total portfolio is reduced from 38% to 32%, shielding the debt stock from currency fluctuations.

Improved Market Confidence:

- Pakistan's Eurobond yields, a key indicator of international market perception, have narrowed to current range of 6-9%.

Fiscal Efficiency and Deficit Reduction:

- Effective fiscal consolidation led to substantial savings, including a historic PKR 850 billion reduction in interest expenses in FY25.
- Consequently, the federal fiscal deficit closed at PKR 7.1 trillion, significantly below the budgeted PKR 8.5 trillion.

As part of the Ministry of Finance's commitment in providing accurate and timely debt information to the public, the Annual Debt Review for the FY-25 has been published. This document provides details of debt management operations and progress made against the Medium-Term Debt Management Strategy (MTDS) during the FY-25. This task is overseen by the Debt Management Office (DMO) in coordination with internal and external stakeholders.

In FY-25, the stabilization of Pakistan's economy has been largely achieved, reflected by higher primary surplus, leading to federal fiscal deficit decline to 6.2% of GDP from 7.3% in FY24. Successful progress towards macroeconomic stabilization is made with the implementation of fiscal consolidation measures and effective management of key economic challenges.

Total public debt increased by 13% to PKR 80.5 trillion during FY-25 with the public debt-to-GDP ratio reaching to 70%. Primary driver of this rise in debt stock was the federal fiscal deficit, which stood at PKR 7.1 trillion. However, this was partly offset by the generation of a significant federal primary surplus. Notably, the increase interest expenses of 9% was significantly lower as compared to last year, where interest expense increased by almost 43%.

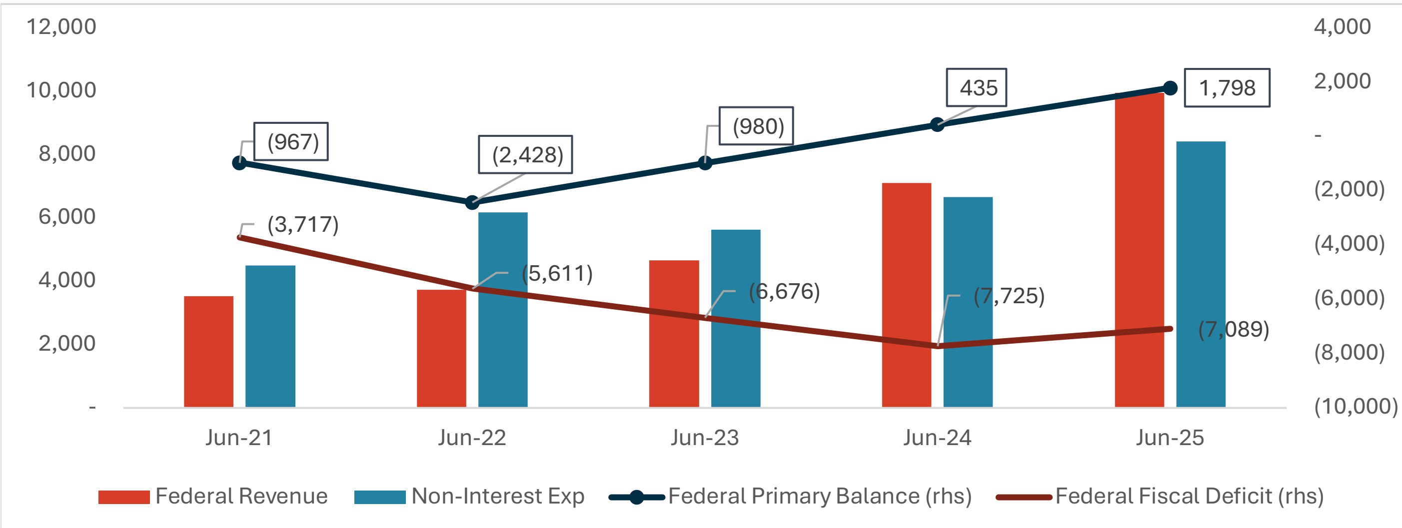
Key debt risk indicators showed that the Average Time to Maturity (ATM) for domestic debt increased to 3.8 years in FY25 from 2.8 years in FY24, while for external debt ATM remained above 6 years, aligning with the MTDS targets. External debt composition reduced to 32% from 34% in overall public debt, allowing the government to limit exposure to adverse exchange rate movements.

The federal fiscal deficit was primarily financed through domestic borrowing, particularly via net issuances of medium-to-long-term Pakistan Investment Bonds (PIBs) and Government Ijarah Sukuks (GIS). On the external front, most inflows came from multilateral and commercial sources, with a slight net retirement in the bilateral loans.

Prudent debt management policies and strategies, are anchored on sound Medium-Term Debt Strategy (MTDS), which has recently been updated and published for the fiscal years 2026-28. Going forward, the Debt Management Office is committed to proactive debt management as part of its broader economic policy, aiming to minimize the costs of meeting the government's borrowing requirements while managing associated risks by maintaining an optimal debt mix.

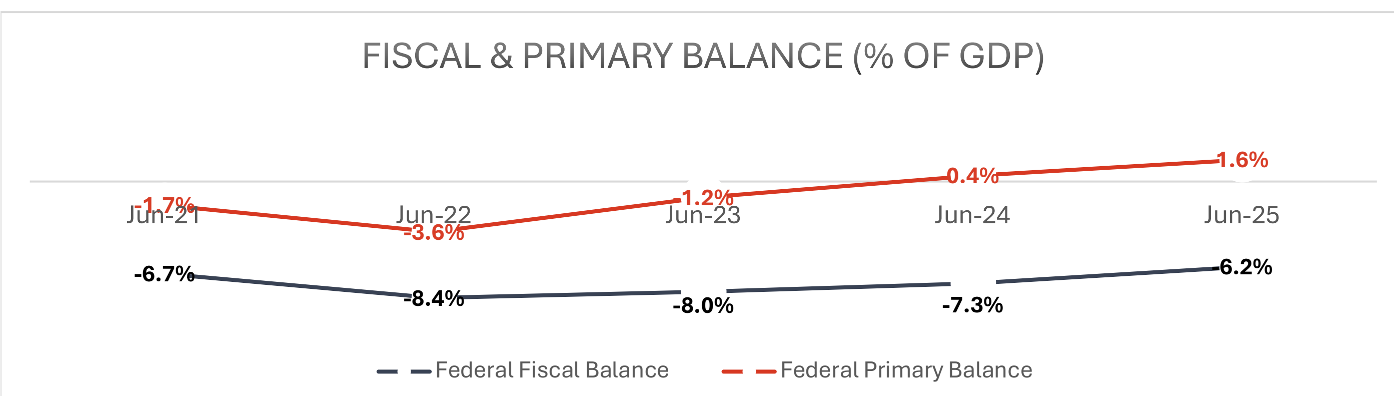
FISCAL DEVELOPMENTS

The fiscal position of Pakistan has stabilized as a result of the government's fiscal consolidation policies, leading to two consecutive primary surpluses. During FY-25, federal revenues increased by 40% YoY, mostly on the back of substantial increase in non-Tax revenue. At the same time, growth in expenditure was contained to 15% in FY-25 compared with 31% increase in FY-24.



Source: State Bank of Pakistan, Ministry of Finance

Overall, these measures helped increase the Federal Primary Surplus from PKR 435 billion to PKR 1,798 billion in FY-25. Due to effective debt management and strategic lengthening of maturity profile by taking advantage of the favorable market conditions, the government was able to keep interest expense at PKR 8,887 billion, well below the budgeted amount of 9,775 billion. The pace of increase in interest expense at 9%, was the lowest since FY-22. All of this transpired in managing the federal fiscal deficit, which declined from PKR 7,725 billion in FY-24 to PKR 7,089 billion in FY-25. Fiscal balances as a percentage of GDP also improved, with the primary balance rising to 1.6% of GDP, while the overall fiscal deficit narrowed to -6.2% of GDP



Source: State Bank of Pakistan, Ministry of Finance

MACROECONOMIC DEVELOPMENTS

In FY-25, Pakistan's real GDP grew by 2.68%, with the industrial sector playing a significant role. Average Inflation declined substantially, reaching ~4.6% (down from high levels of 23.8% in FY 24). On the external front, FY-25 delivered a current account surplus of about **USD 2.1 billion** — the first full-year surplus in over a decade — aided by record remittance inflows of about **USD 38 billion**.

	FY-23	FY-24	FY-25
Real GDP Growth	-0.2%	2.5%	2.7%
CPI (FY Average %)	29.2%	23.4%	4.5%
Nominal GDP (PKR Bn)	83,650	105,143	114,692
Nominal GDP Growth	25.5%	25.7%	9.1%
Current Account (USD Bn)	-3.3	-2.1	2.1

Source: State Bank of Pakistan, Ministry of Finance

FINANCING OF FISCAL DEFICIT

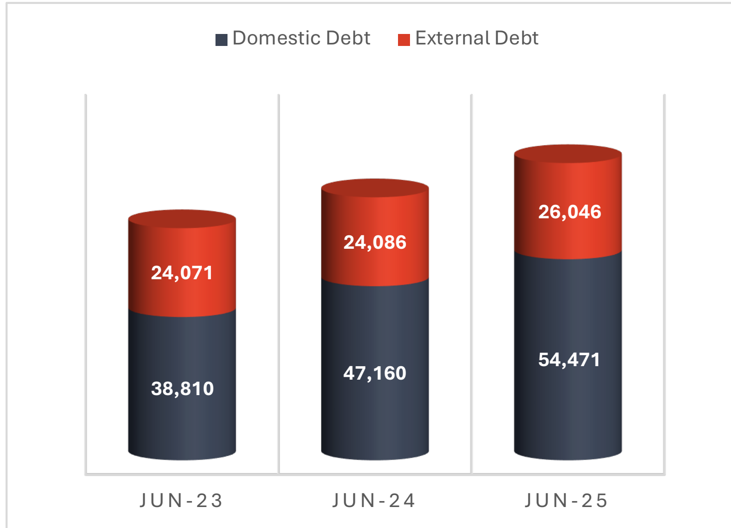
During FY-25, majority of the fiscal deficit was financed from domestic borrowing sources. However, the share of external financing has increased slightly from 4% to over 9% in FY-25 reflecting an improved access to external funding sources.

		FY-23	FY-24	FY-25
	Federal Fiscal Deficit	**6,676**	**7,725**	**7,089**
I-II	**Net Financing**	**6,676**	**7,725**	**7,089**
	- External Debt	(680)	320	619
	- Domestic Debt	7,356	7,405	6,470
I	**Gross Financing – Inflows**	**36,924**	**35,696**	**34,203**
	- External Debt	2,408	2,759	2,882
	- Domestic Debt	34,516	32,937	31,320
II	**Repayments - (Outflows)**	**(30,247)**	**(27,971)**	**(27,114)**
	- External Debt	(3,087)	(2,439)	(2,264)
	- Domestic Debt	(27,160)	(25,532)	(24,850)

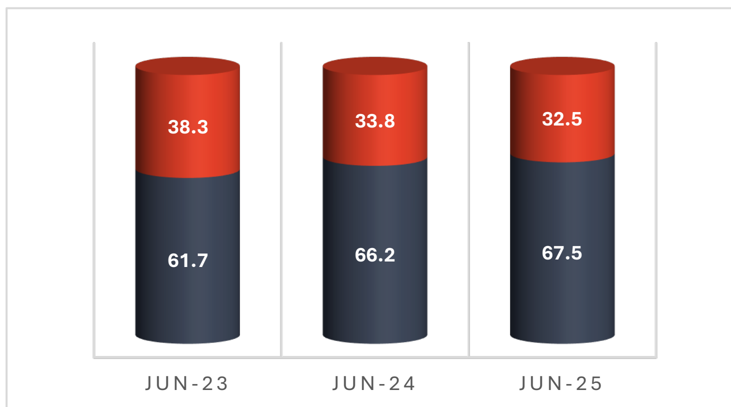
Source: Ministry of Finance, State Bank of Pakistan, Economic Affairs Division

DEBT STOCK

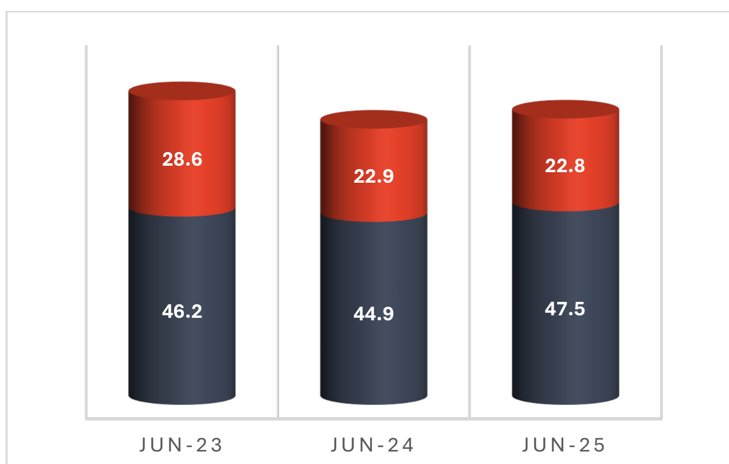
The total public debt of Pakistan has reached PKR 80.6 trillion as of Jun-25, out of which domestic is PKR 54.5 trillion and external debt is PKR 26.0 trillion. This increase is almost 13% over the FY-24.



Overall, the composition of external debt out of total debt continues to slide down, from the peak of 38% in June-2022, to around 32.5% in June-2025. This reflects a reduction in currency risk due to less exposure to the exchange rate fluctuations.



In terms of Debt-to-GDP ratio, the public debt increased to around 70% in June-2025, as compared to ~68% in June-2024. This was mostly due to lower-than-expected growth in the nominal GDP in FY-25, as significantly lower inflation reduced the pace of economic expansion, there by pushing up the debt-to-GDP ratio despite fiscal consolidation efforts



Memo: US Dollar, last day average exchange rate 283.75
Source: State Bank of Pakistan

DEBT STOCKINCREASE

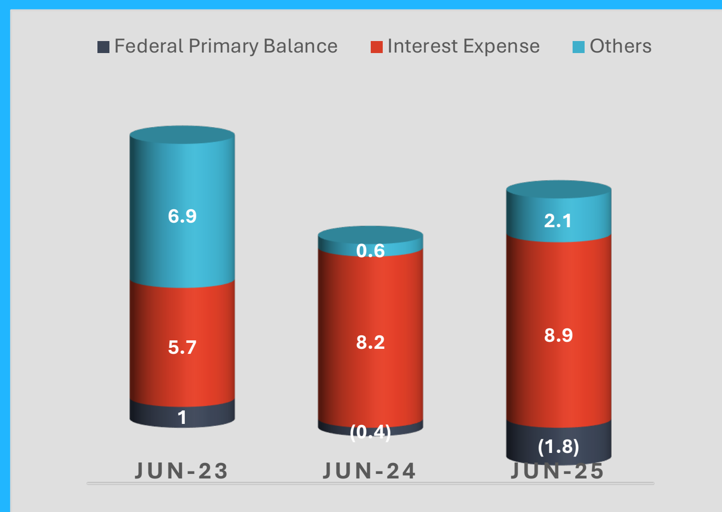
When analyzing the drivers for increase in debt stock, the primary factor is the size of fiscal deficit, which is determined by the primary balance and interest payments.

During FY-25, the increase in interest expense was lower than same period previous fiscal year, while the size of the primary surplus also increased significantly. Together, these developments helped in curtailing the federal fiscal deficit to PKR 7.1 trillion, down from PKR 7.7 trillion in FY-24.

Among other contributing factors, the exchange rate valuation affect has historically played a significant role, particularly in FY-22 & FY-23, when large depreciations of the PKR against the USD substantially inflated external debt in rupee terms. While the exchange rate largely stabilized in FY-24, there was some depreciation of the PKR against the USD in FY-25, as well as depreciation of the USD against other major currencies (EUR, SDR, RMB).

FY 2025

- **Federal Primary Balance:** Surplus of PKR 1.8 trillion, up from PKR 0.4 trillion in FY-24.
- **Interest Expense**: PKR 8.9 trillion (increase by 9%), in comparison to increase of 43% during FY-23 to FY-24.
- **Other Factors**: Exchange Rate valuation affect, cash management and accounting treatment.



Source: State Bank of Pakistan & Ministry of Finance

DOMESTIC DEBT

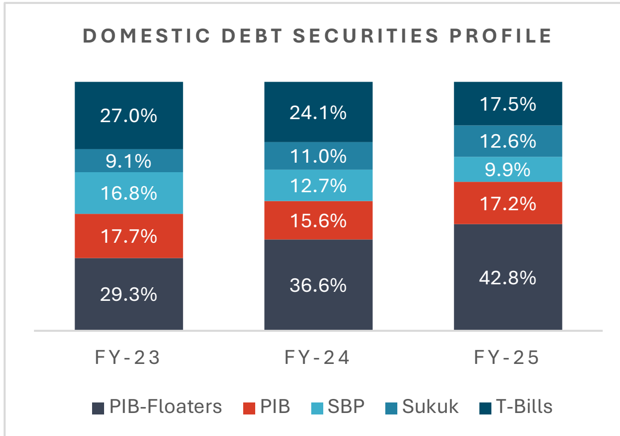
The domestic debt increased by 15% Year-on-Year reaching to PKR 54.5 trillion, the lowest annual increase in the past three fiscal Years.

The composition of domestic debt over the past three fiscal years indicates a significant reduction in the share of T-bill holdings. The decline in FY-25 was largely due to the proactive decision to retire a substantial portion of short-term debt through buybacks, which also contributed towards extending the overall debt maturity profile. At the same time, share of floating-rate instruments, especially PIBs, has increased, reflecting investor demand for protection against interest rate fluctuations. Importantly, the share of sharia-compliant instruments, Government Ijarah Sukuks have registered a steady increase, reaching to 12.6% of total government domestic securities in FY-25.

(PKR Billion)	FY-23	FY-24	FY-25
Pakistan Investment Bonds (PIBs)	22,009	28,026	35,015
Sukuk/Bai-Muajjal	3,151	4,766	6,350
Market Treasury Bills (MTBs)	9,335	10,248	8,756
Unfunded Debt (NSS/Prize Bonds)	3,309	3,184	3,429
SBP Loan to GoP against SDR	475	475	475
Foreign Currency Loans*	384	374	380
Naya Pakistan Certificates/Others	147	88	66
Domestic Debt	38,809	47,160	54,471

* Includes FEBCs, FCBCs, DBCs, Special US Dollar Bonds and other domestic FC borrowings

Source: State Bank of Pakistan



Maturity & Creditor Profile

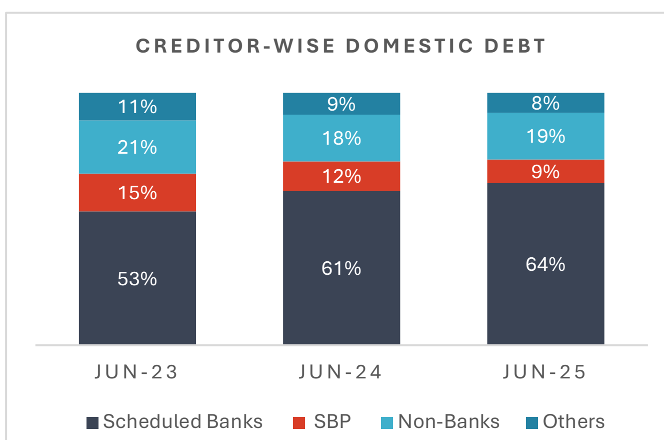
The maturity profile of domestic debt has improved in FY-25, with the share of short-term debt, primarily MTBs, declining from 35% to 27%. This improvement was a result of government's decision to retire MTBs worth ~PKR 2 trillion and strategically increasing the issuance of medium-to-longer term debt in PIB and Sukuks.

Overall, ATM increased to 3.8 years in June-2025, as compared to 2.8 years in June-2024 reflecting a more sustainable debt profile with reduced rollover risk. Analyzing the investor profile, commercial banks remain the largest holder of domestic government securities with their share rising to 64%. The share of State Bank of Pakistan debt has also decreased to 9%, due to PKR 500 billion repayment in June-2025. Among the "Others" category, the National Savings Schemes (NSS) continue to represent a major avenue for retail investors

(PKR Billion)	FY-23	%	FY-24	%	FY-25	%
Domestic Debt Securities	**38,809**	**100**	**47,160**	**100**	**50,151**	**100**
Short-Term Debt (< 1 Year)	**13,944**	**36**	**16,323**	**35**	**14,484**	**27**
- Market Treasury Bills	9,326	24	10,390	22	8,809	16
- Medium & Long-Term Debt*	4,618	12	5,933	13	5,676	10
Medium & Long-Term Debt (> 1 Year)	**24,865**	**64**	**30,837**	**65**	**39,987**	**73**

* Remaining Maturity of less than one year

Source: State Bank of Pakistan & Ministry of Finance

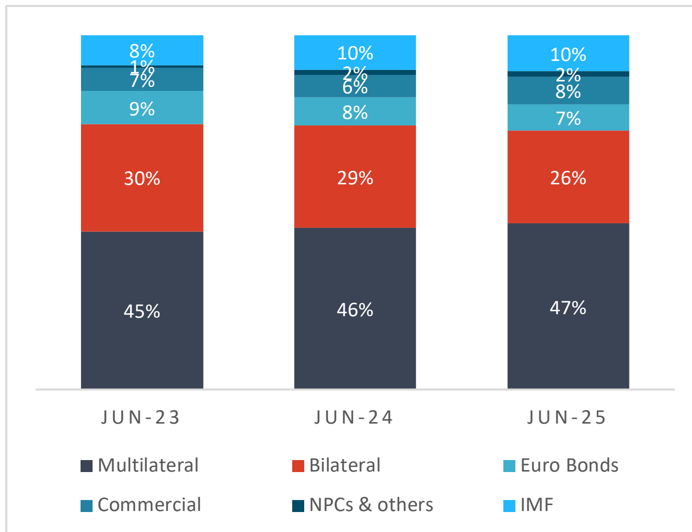


EXTERNAL DEBT

External debt increased by 6% YoY reaching USD 91.8 bn as of June-25. The major reasons for this increase were disbursements from IMF, an ADB-guarantee backed commercial loan of USD 1bn and inflows from other multilateral institutions.
Composition-wise, multilateral loans (including loans from IMF) account for 57%, bilateral 26%, followed by commercial sources such as Euro/Sukuk bonds, commercial banks and Naya Pakistan Certificates (NPCs). Importantly, the majority of external loan sources continue to be multilateral and bilateral, which are generally of long-term tenor and have concessional rates. They have less refinancing and interest rate risk.
The share of bilateral official loans continued to decline because of net retirement. However, bilateral deposits from friendly countries were rolled over and now represent 9.8% of total external debt.

(USD Million)	FY-23	FY-24	FY-25
Total Public External Debt	84,050	86,525	91,795
Multilateral	37,523	39,498	42,480
Bilateral (Countries)	18,473	16,027	15,044
Bilateral (Deposits)	7,000	9,000	9,000
Euro/Sukuk Bonds	7,800	6,800	6,800
Commercial Loans	5,564	5,490	7,156
NPCs and others	566	1,332	1,225
IMF	7,124	8,378	9,267

Source: Economic Affairs Division & State Bank of Pakistan



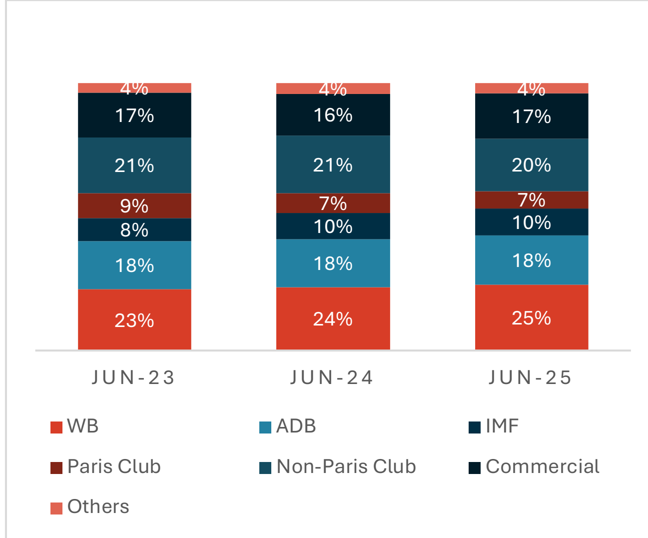
Maturity Profile & Creditor Profile

Multilateral institution World Bank and Asian Development Banks continue to be the largest external creditors to Pakistan with a combined share of 43% of the total external debt. The next major source is the bilateral partners, including deposits from friendly countries, which account for almost 27% of the external debt. Commercial sources, such as commercial banks and Euro Bonds, account for 17%.

During FY-25, the share of non-Paris Club decreased slightly, offset by a corresponding increase in commercial borrowing sources. These changes are also reflected in the maturity profile as share of medium-to-long term debt declines to 76%. Overall, the majority of external financing comes from multilateral (including IMF) and bilateral sources, which are long-term and concessional in nature. This composition provides relative stability and reduces refinancing pressures compared to heavier reliance on short-term commercial borrowings.

(USD Million)	FY-23	%	FY-24	%	FY-25	%
External Public Debt	**87,762**	**100**	**95,179**	**100**	**91,795**	**100**
Short-Term Debt (< 1 Year)	**17,753**	**20**	**18,414**	**19%**	**22,259**	**24%**
- Bilateral Deposits	9,000	10	9,000	9%	9,000	10%
- IDB Short-term	99	0	250	0%	552	1%
- LC Securities (T-Bills)	-	-	510	-	187	0%
- LT (Remaining maturity < 1 year)*	8,654	10	8,654	9%	12,519	14%
Medium & Long-Term Debt (> 1 Year)	**70,009**	**80**	**76,765**	**81%**	**69,536**	**76%**

Source: Economic Affairs Division



Federal & Provincial Government Debt

Foreign currency loans are contracted by the Economic Affairs Division (EAD) on behalf of the Federal Government and subsequently on-lent to the provinces on the same terms and conditions agreed with donors/lenders. Provinces retain flexibility to negotiate terms such as tenor, repayment schedule, and currency choice.

As of June 2025, 84% of Pakistan's external public debt is primarily held by the Federal Government, while 16% is owned by provinces and sub-national entities %. Within the provinces, Punjab is the largest borrower with USD 6.18 billion (7%), followed by Sindh at USD 4.67 billion (5%), which recorded the sharpest increase during the year. Khyber Pakhtunkhwa's debt rose to USD 2.77 billion (3%), whereas Baluchistan (USD 371 million), Gilgit-Baltistan (USD 70 million), and Azad Jammu & Kashmir (USD 211 million) maintain comparatively small exposures.

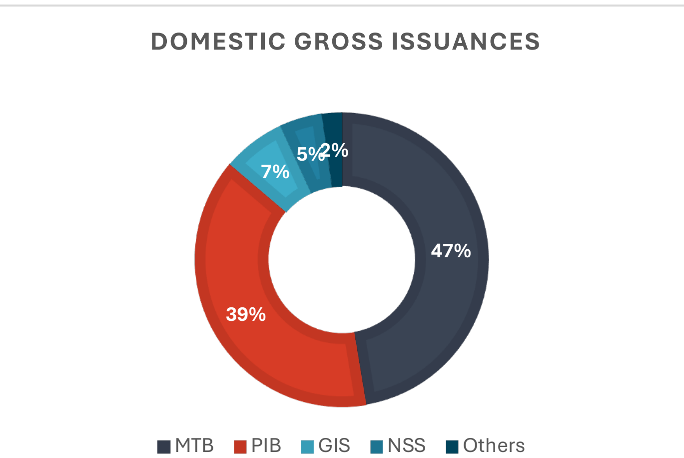
	(USD Million)	FY-23	%	FY-24	%	FY-25	%
I+II	**External Public Debt**			**86,525**	**100%**	**91,795**	**100%**
I	**Provincial Govts/Sub-National Govts**			**12,809**	**15%**	**14,270**	**16%**
	- Punjab			6,026	7%	6,176	7%
	- Sindh			3,777	4%	4,669	5%
	- Khyber Pakhtunkhwa (KP)			2,378	3%	2,772	3%
	- Baluchistan			357	0%	371	0%
	- Gilgit-Baltistan			62	0%	70	0%
	- Azad Jammu & Kashmir			209	0%	211	0%
II	**Federal Government**			**73,716**	**85%**	**77,525**	**84%**

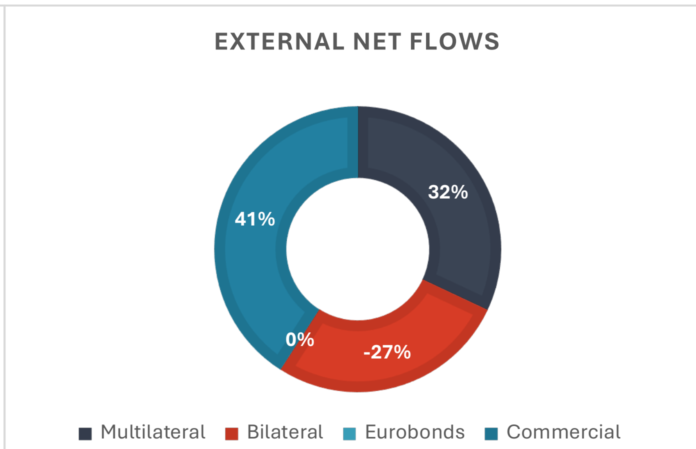
Source: Economic Afairs Division

BORROWING OPERATIONS

In FY-25, the majority of financing for the fiscal deficit came from domestic borrowing sources (92%), as compared to the external borrowing (8%). Domestically, total Gross issuances for domestic debt securities amounted to PKR 31 trillion.

- Gross issuance of Pakistan Investment Bonds (PIBs) was PKR 12 trillion against total maturities of PKR 5.9 trillion. Share of fixed rate PIBs amounted to PKR 3.14 trillion while the floating rate PIBs amounted to PKR 9.06 trillion.
- Gross issuance of Government Ijarah Sukuk (GIS) was PKR 2.2 trillion against maturity of PKR 708 billion. Breakdown of gross GIS issuances is; 55% (PKR 1.3 trillion) in the Variable Rental Rate (VRR), and 17.5% (PKR 385 billion) against the Fixed Rental Rate instruments. Issuance under 01-year discounted GIS stood at Rs.508 billion, almost 23% of total gross GIS issuances.
- In Market Treasury Bills the gross issuance was of PKR 14.9 trillion against total maturities of 16.4 trillion, resulting in the net retirement of MTBs during FY-25. Additionally, a debt buyback of MTBs amounting to PKR 1 trillion improved the overall maturity profile of debt stock
- The major source of unfunded debt is the retail debt instruments from National Saving Schemes (NSS). Gross inflows reached PKR 1.47 trillion, while outflows stood at PKR 1.2 trillion, resulting in a net inflow of PKR 260 billion. This is a positive development, as the portfolio was showing net outflows for the past few years following the withdrawal of institutional investment.





For external borrowing, maximum disbursements were from the multilateral institutions, and commercial sources, contributing overall PKR 619 billion (USD2.2 bn) towards the financing of fiscal deficit

- Key multilateral net inflows (US$1.7 bn) were from World Bank (USD 850 mn) and from ADB (USD 1.2 bn).
- During the FY-25, two reviews of the IMF's EFF program were successfully achieved, leading to disbursement of USD 2.1 billion. On net basis, inflow from IMF were USD 890 million.
- There was net retirement of debt from bilateral official loans amounting USD 1.4 bn. However, bilateral deposits from China and Saudi Arabia amounting USD 9.0 bn were rolled over for one year

- Commercial banking flows increased during the year, with a USD 1.3 bn non-Chinese commercial banks.
- Overall, the Government repaid international commercial bank loans and bilateral loans to the tune of USD 5.98 bn. The inflows from commercial banks and bilateral sources stood at USD 6.69bn.
- No International Capital Market Issuance took place during FY25. However, the government achieved notable progress in moving forward with the launch of its first-ever Panda Bond in the Chinese market.
- During the year, reflecting improved macroeconomic and fiscal conditions, Pakistan's sovereign credit rating was upgraded by all three leading international rating agencies: Moody's, S&P, and Fitch. This should further support market confidence and lower future external financing costs.

LIABILITY MANAGEMENT OPERATIONS

The government for the first time successfully initiated a repurchased PKR 1,026 billion worth of short-term treasury bills, resulting in interest cost savings of PKR 31 billion. This initiative has yielded multiple benefits; it optimized fund utilization, reduced concentration risk, and positively influenced both short-term and long-term borrowing costs for the government. In addition to this, Government also retired PKR 500 billion of SBP Debt during the fiscal year.

SMOOTHENNING OF DOMESTIC DEBT PROFILE

Taking advantage of bullish investor sentiment in debt markets and an inverted yield curve, the portfolio was strategically shifted from short-term Treasury bills to long-term fixed and floating rate Pakistan Investment Bonds (PIBs). Over PKR 3 trillion was raised by issuing in long-term instruments, primarily at 10-year bonds at competitive rates. This transition yielded multiple benefits: it extended the debt portfolio's maturity profile beyond 3.0 years, reduced reliance short-term interest rates instruments, and mitigating both refinancing and rollover risks.

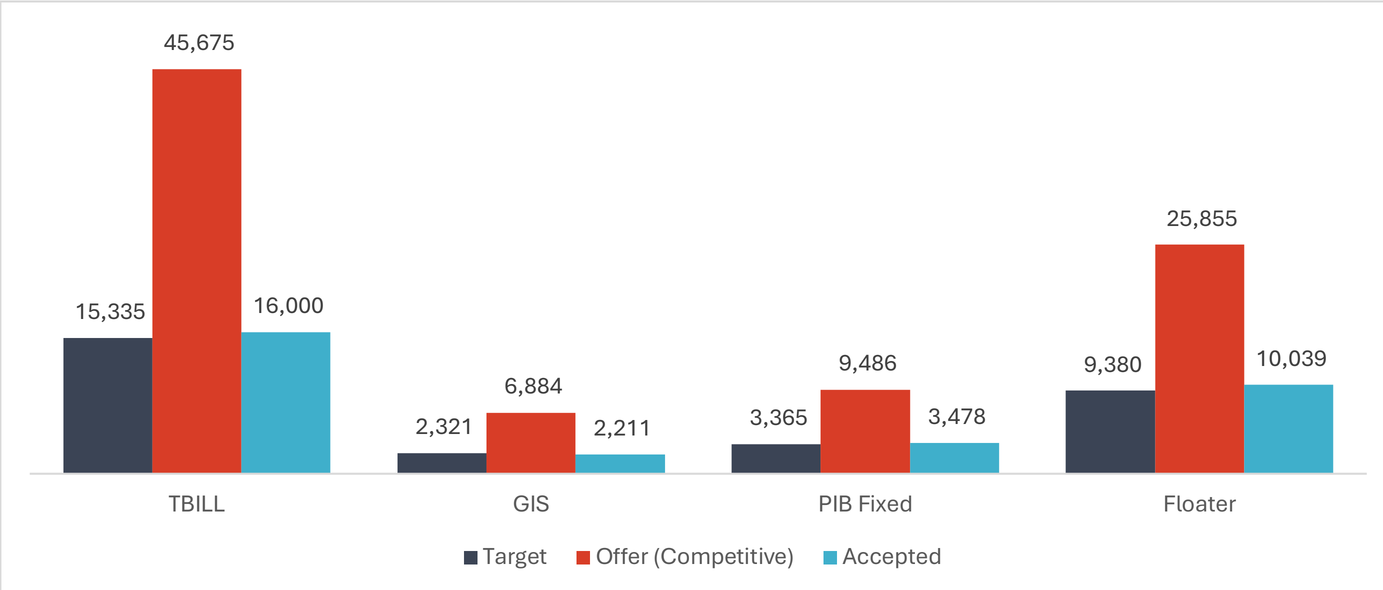
In parallel, the government also introduced new instruments to cater to a diverse set of institutional investors across the maturity preferences, such as 2-year & 15-year Zero Coupon Bond (ZCB), 10-year fixed and floating rate Ijarah Sukuks and 10-year Sharia-compliant zero-coupon instrument.

AUCTION OPERATIONS

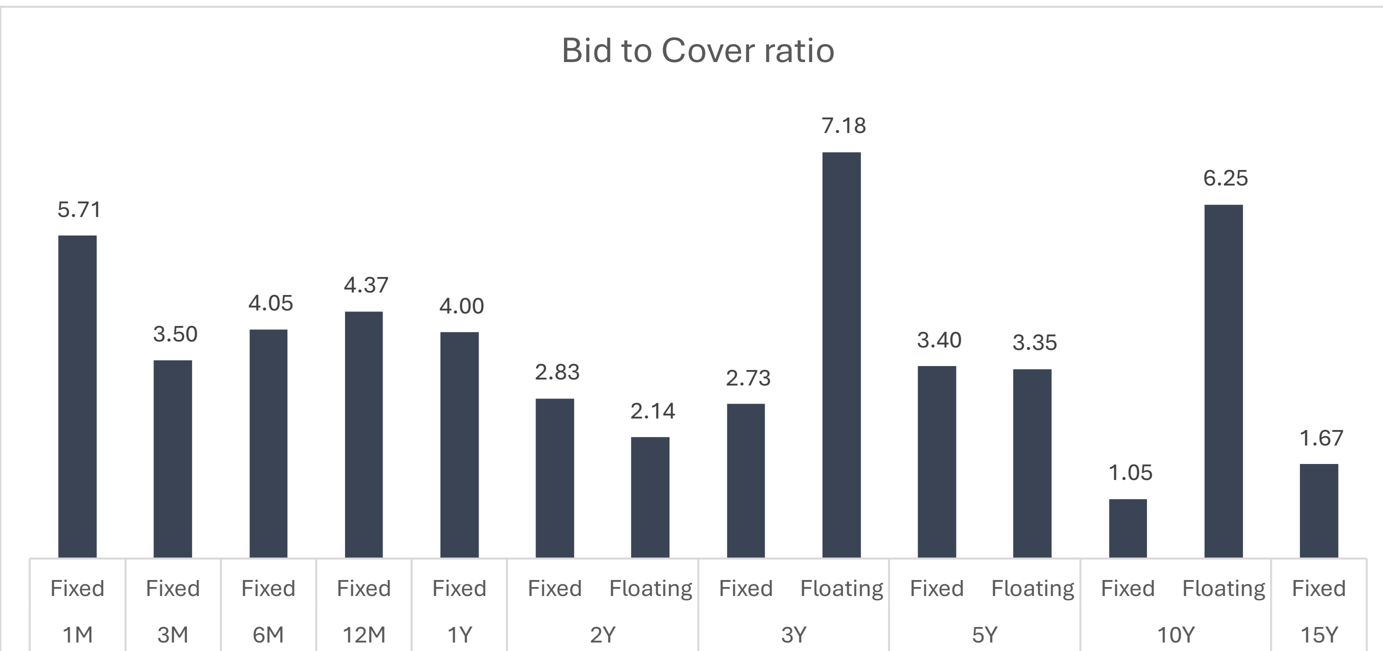
In FY-25, the largest market participation was recorded in Market Treasury Bills (MTBs), reflecting the preference of financial institutions for short-term instruments.

The second highest participation was observed in the PIB Floater category, as investors sought to hedge against potential interest rate increases and long-term inflation risks. Within the PIB auction profile, the 10-Year and 3-Year Floating Rate PIB with semi-annual coupon payments attracted the highest level of bids, highlighting strong investor appetite for floating instruments.

Auction Profile FY-25 (PKR Billion)



Note: All values are exclusive Non-competitive bids & short selling accommodation; PIBs, MTB amount based on Face Value.



Source: State Bank of Pakistan

DEBT MANAGEMENT STRATEGY

Effective public debt management is achieved by meeting the government's debt obligations while optimizing the cost-risk tradeoffs. This can be evaluated by setting certain risk indicators to be achieved over the medium-term, which are mentioned in the Medium-Term Debt Management Strategy (MTDS) document, the last of which was finalized for FY-2023-26. However, due to significant changes in GDP growth rates, interest rate and inflation both locally and globally, there was a need to prepare an updated MTDS document. The major risk indicators and actual performance against them during FY-25 are discussed below.

Average Time to Maturity (ATM)

An important objective of debt management strategy is to reduce the refinancing risk through lengthening of the maturity profile. The ATM of domestic debt at the start of this fiscal year was 2.8 year, which was below the minimum 3-year benchmark set in the MTDS.

Recognizing this, the government took certain strategic initiatives to reprofile the domestic debt securities portfolio by conducting buybacks of short-term Market Treasury Bills, taking advantage of decreasing interest rate environment by increasing issuances of medium-long term PIBs. The government also introduced new instruments targeting institutional investors with a preference for longer maturities. During FY2025, DMO introduced number of new instruments for conventional as well as shariah compliant investors which includes introduction of 02-Year and 15-Year zero Coupon Bond,10-Year VRR and FRR for shariah complaint investors and short term 22 days T-bills to address government short term liquidity needs. Overall, ATM increased to 3.8 years.

For external debt, the ATM remained at 6.1 years, slightly lower than 6.2 year at the start of FY-25. The decrease in the ATM of external debt indicates a changing financing composition, with lower net inflows from multilateral and bilateral partners and a relatively higher share of short-term commercial funding.

> "An updated Medium-Term Debt Management Strategy for FY 2026-28 has been published"

Share of Shariah Compliant Financing in Govt Securities

Growing the share of Sharia-compliant government securities is an important objective for diversification of investor base and promoting the agenda of having a sharia-compliant financial system in the country. During the FY-25, the share increased from 11.5% to 12.7%. In this regard, new sharia-compliant instruments with higher tenors of 10 years, Fixed Rental Rate (FRR) & Variable Rental Rate (VRR) instruments were introduced. These instruments are designed to appeal to institutional investors with longer maturity preferences.

Share of Fixed Rate Debt in Government Securities

The MTDS has set a minimum limit of 20% for the share of fixed-rate debt instruments in the domestic government securities portfolio and targeted a share of 24% by Jun-25. The government had to balance the need for increasing fixed rate share along with investor needs, which reflected a preference for short-term and variable-rate instruments, driven by evolving market conditions and macroeconomic outlook.

The composition of domestic debt over the past two fiscal years indicates a significant reduction in T-bill holdings, largely the result of the government's proactive decision to retire a substantial portion of short-term debt through buybacks, thereby extending the overall debt maturity profile. At the same time, investment in floating-rate instruments has increased, reflecting investor demand for protection against interest rate fluctuations. Nevertheless, the government pursued the strategy of increasing the pace of issuing fixed-rate debt as market yields significantly decreased. The average monthly issuance of fixed rate debt instruments was PKR 280 billion during the period under review. Overall, the government managed to increase the share of fixed rate debt from 18.3% in June-24 to 20% as of end June-25.

New MTDS FY 2026-28

As explained above the evolving macroeconomic environment necessitated the preparation of an updated MTDS for the medium-term. The new strategy for the FY-2026-28 will primarily focus on extending the maturity profile and enhancing resilience against changes to interest rates, by targeting to increase the Average Time to Refixing (ATR) of domestic government securities. In managing external debt, the focus will be on mitigating currency risk through decreasing the overall share of external debt in public debt and the use of currency-hedging instruments. Overall, the strategy for domestic debt looks to increase net issuances of PIBs, focusing on fixed rate and zero-coupon bonds; and limit Net issuance of T-bills. On the external front, priority will be given to securing long-term concessional and commercial financing, including the planned Panda Bond issuance. Increasing investor outreach, especially with global investors is also part of the strategy.

The table below compares the risk indicators of previous MTDS with the new strategy, along with actual performance for FY-25.

MTDS FY23-26					MTDS FY26-28
Risk Indicators		Indicative Benchmarks	FY-25 Targets	FY-25 Actual	FY-28 Target
Refinancing Risk	Domestic Debt ATM (Years)	> 3.0	3.2	3.8	**4.25**
	External Debt ATM (Years)	> 6.0	6.2	6.1	**6.2**
Interest Rate Risk	Share of Fixed Rate Debt in Government Securities Portfolio	> 20%	24%	20%	**30%** **ATR 2.0**
Currency Risk	Share of External Debt in Total Public Debt	< 40%	-	32%	**<40%**
Diversification	Share of Shariah-compliant Instruments in Government Securities Portfolio	12.0%	12.0%	12.7%	**20%**

SOVEREIGN GUARANTEES

Contingent liabilities of the Government are primarily composed of guarantees issued on behalf of Public Sector Enterprises (PSEs) to secure financing from local or external lenders. The Fiscal Responsibility and Debt Limitation Act, 2005 (as amended from time to time) imposes following two ceilings related to Government guarantees:

i) Flow ceiling: 2 percent of GDP on the issuance of Government guarantees, with renewal of existing guarantees being considered as issuing new guarantees.

ii) Stock ceiling: 10 percent of estimated GDP on the total stock of outstanding Government guarantees.

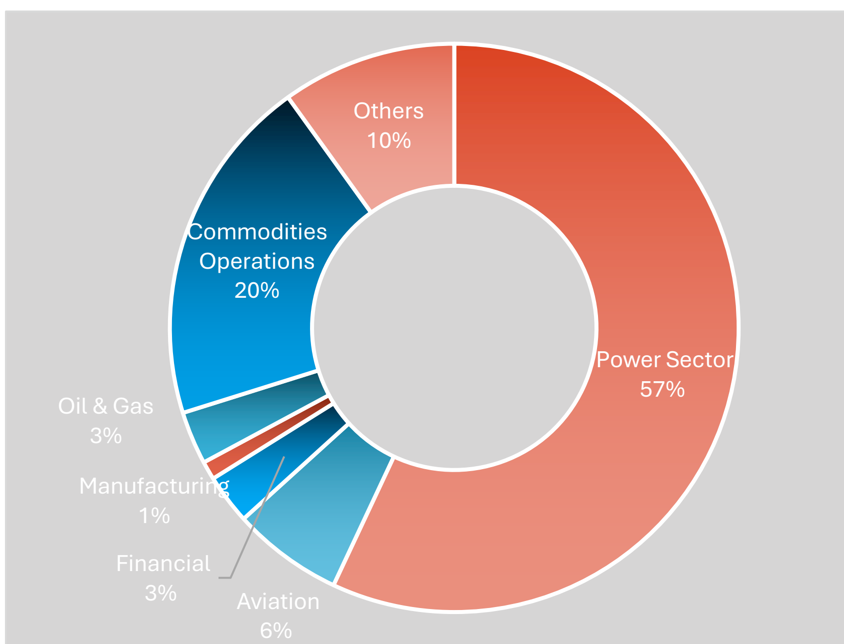
During FY25, the Government issued fresh and renewed guarantees aggregating to PKR 504 billion, equivalent to 0.44 percent of GDP. The outstanding stock of guarantees stood at PKR 4,265. Billion at end-Jun 2025, including the self-liquidating guarantees issued for commodity operations, which were disclosed separately in the previous reports.

(PKR Billion)	**FY-23**	**FY-24**	**FY-25**
Outstanding Guarantees	**3,519**	**3,387**	**4,265**
-Domestic Currency	1,622	1,460	2,208
-Foreign Currency	1,898	1,927	2,057

Memo: External debt converted to PKR @ 283.75/USD

The Breakdown of government guarantees shows approximately 57% of the guarantees are issued for the power sector entities followed by commodity operations with 20%, obtained by SOEs such as TCP and PASSCO.

In terms of interest rate type, approx.. 52% is against floating rate loans and 42% against fixed rate debt.



Source: Ministry of Finance

INVESTOR RELATIONS

As part of investor relations outreach activities, the Debt Management Office (DMO) organized and participated in several engagements with domestic and international stakeholders during FY-25. These sessions aimed to strengthen market confidence, enhance transparency, and promote Pakistan's debt instruments.

A key highlight was the "Economic & Debt Outlook 2025" hosted by FMAP in December-24. The Key note speakers were from DMO. The workshop focused on Pakistan's improving economic outlook, with emphasis on debt management strategies towards achieving debt sustainability.

For the inaugural Green Sukuk issuance, the DMO organized an investor awareness session on Domestic Green Sukuk, hosted by Pakistan Stock Exchange (PSX) in May-2025. This session bought together leading representatives from commercial banks, brokerage firms, asset management companies, and microfinance banks.

In addition to this, the DMO also interacted with various global investors and credit rating agencies, reinforcing Pakistan's commitment to transparent communication and prudent debt management.

ANNEXURES

Details of Financing of Fiscal Deficit FY-25			
		PKR Billion	**USD Billion**
	Federal Fiscal Deficit	**7,089**	**25.0**
	FINANCING SUMMARY		
I-II	**Net Financing**	**7,089**	**25.0**
	- External Debt	619	2.2
	- Domestic Debt	6,470	22.8
I	**Gross Financing - Inflows**	**34,203**	**120.5**
	- External Debt	2,883	10.2
	- Domestic Debt	31,320	110.4
II	**Repayments - (Outflows)**	**(27,114)**	**(95.6)**
	- External Debt	(2,264)	(8.0)
	- Domestic Debt	(24,850)	(87.6)
	FINANCING DETAILS		**-**
I + II	**Net Financing - Inflow/(Outflows)**	**7,089**	**25.0**
I	**External Debt**	**619**	**2.2**
	- Multilateral	480	1.7
	- Bilateral	(1,024)	(3.6)
	- Eurobonds	0	-
	- Commercial Sources & Others	1,163	4.1
II	**Domestic Debt**	**6,470**	**22.8**
	Government Securities	**6,206**	**21.9**
	-Treasury Bills	(1,580)	(5.6)
	-Pakistan Investment Bonds	6,327	22.3
	-Sukuk	1,459	5.1
	FCY Domestic Loan	4	0.0
	National Savings Schemes & Others	**260**	**0.9**
I + II	**Gross Summary - Inflows**	**34,203**	**120.5**
I	**External Debt**	**2,883**	**10.2**
	- Multilateral[1]	1,343	4.7
	- Bilateral	173	0.6
	- Eurobonds	0	-
	- Commercial Sources & Others[2]	1367	4.8
II	**Domestic Debt**	**31,320**	**110.4**
	Government Securities	**29,394**	**103.6**
	-Treasury Bills	14,916	52.6
	-Pakistan Investment Bonds	12,267	43.2

	-Sukuk	2,211	7.8
	FCY Domestic Loan	368	1.3
	National Savings Schemes & Others[3]	**1,558**	**5.5**
I + II	**Repayments - (Outflows)**	**(27,114)**	**(95.6)**
I	**External Debt**	**(2,264)**	**(8.0)**
	- Multilateral[4]	(863)	(3.0)
	- Bilateral	(1,197)	(4.2)
	- Eurobonds	0	-
	- Commercial Sources & Others[5]	(204)	(0.7)
II	**Domestic Debt**	**(24,850)**	**(87.6)**
	Government Securities	**(23,552)**	**(83.0)**
	-Treasury Bills	(16,496)	(58.1)
	-Pakistan Investment Bonds	(5,940)	(20.9)
	-Sukuk	(752)	(2.7)
	FCY Domestic Loan	(364)	(1.3)
	National Savings Schemes & Others	**(1,298)**	**(4.6)**
Notes:			
[1] Include short-term multilateral inflows.[2] Includes foreign commercial bank loans, grants, and net inflows of Non-Resident investment in Govt. Securities and Naya Pakistan Certificates.[3] Include net impact of change in cash balance of federal government.[4] Include short-term multilateral outflow.[5] Represent repayment against foreign commercial bank loans.			

Source: Ministry of Finance, State bank of Pakistan & Economic Affairs Division

Domestic Debt (PKR Billion)

	Jun-23	**Jun-24**	**Jun-25**
Permanent Debt (I)	**25,547**	**33,182**	**41,774**
Market Loans	3	3	3
Government Bonds	1	1	1
Prize Bonds	383	386	408
Pakistan Investment Bonds (PIB)	22,009	28,026	35,015
GOP Ijara Sukuk	3,151	4,766	6,187
Bai-Muajjal of Sukuk	-	0	161
Floating Debt (II)	**9,335**	**10,248**	**8,756**
Market Treasury Bills	9,269	10,167	8,645
MTBs for Replenishment	66	80	112
Unfunded Debt (III)	**2,926**	**2,797**	**3,023**
Defense Saving Certificates	428	400	397
National Deposit Certificates	0	0	0
Khass Deposit Certificates	0	0	0
Special Savings Certificates (Registered)	298	286	311
Special Savings Certificates (Bearer)	0	0	0
Regular Income Certificates	462	264	316

Premium Saving Certificates	0	0	-
Behbood Savings Certificates	1,001	1,040	1,151
Short Term Savings Certificates (3M, 6M,12M)	35	56	58
Digital Savings Certificate	0	2	2
Khass Deposit Accounts	0	0	0
Savings Accounts	68	85	103
Special Savings Accounts	115	62	57
Mahana Amdani Accounts	1	1	1
Pensioners' Benefit Account	404	434	486
Shuhadas Family Welfare Account	0	0	0
SARWA Islamic	5	75	61
Postal Life Insurance Schemes	47	47	47
GP Fund	61	44	31
Naya Pakistan Certificates (IV)	**143**	**84**	**62**
SBP loan to GOP against SDRs allocation (V)	**475**	**475**	**475**
Foreign Currency Loans (VI)	**384**	**374**	**380**
Total Domestic Debt (I+II+III+IV+V+VI)	**38,809**	**47,160**	**54,471**

Source: State Bank of Pakistan

External Debt (USD million)

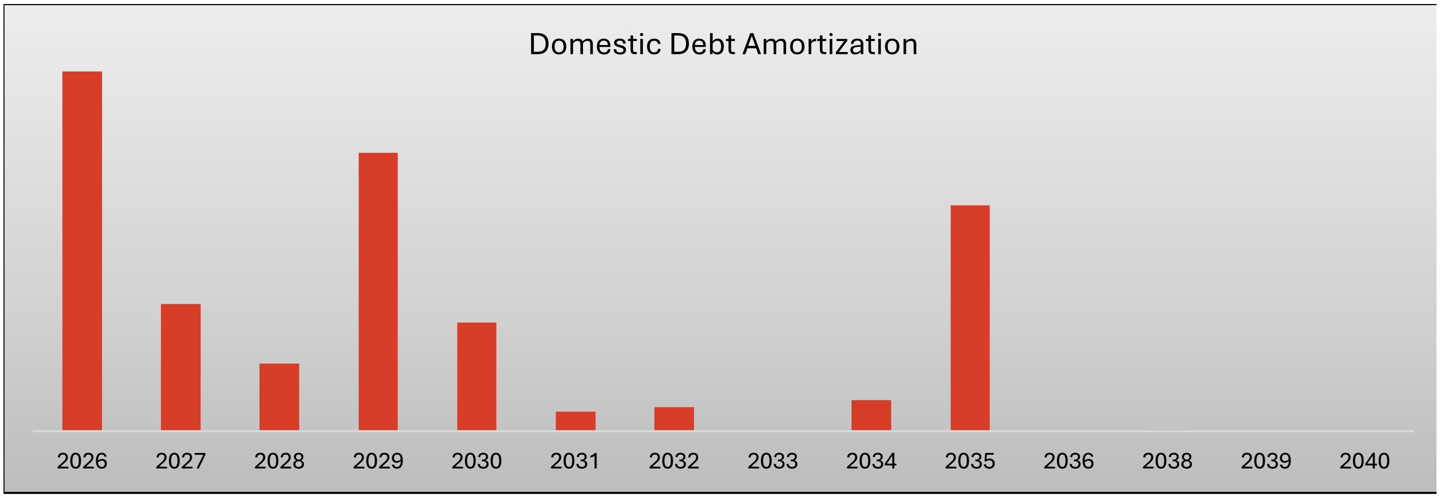
		Jun-23		Jun-24		Jun-25	
		PKR bn	US$ mn	PKR bn	US$ mn	PKR bn	US$ mn
I+II	**External Public Debt**	**24,071**	**84,050**	**7,140,702**	**86,526**	**26,166**	**91,794**
I	**Government External Debt (a+b)**	**22,031**	**76,926**	**6,449,291**	**78,148**	**23,524**	**82,527**
	a- Long term (>1 year)	**21,985**	**76,766**	**6,386,571**	**77,388**	**23,314**	**81,788**
	- Paris Club	2,263	7,901	534,311	6,474	1,712	6,005
	- Multilateral	10,700	37,363	3,239,017	39,248	12,109	42,480
	- Other Bilateral	5,033	17,572	1,531,075	18,552	5,142	18,039
	- Euro/Sukuk Global Bonds	2,234	7,800	561,184	6,800	1,938	6,800
	- Commercial Loans	1,593	5,564	453,102	5,490	2,040	7,156
	- Naya Pakistan Certificates	153	534	64,697	784	349	1225
	- Local Currency Sec (PIBs)	1	3	1,957	24	22	78
	- NBP/BOC deposits/PBC	8	28	1,228	15	1	5
	b- Short term (<1 year)	**46**	**160**	**62,721**	**760**	**211**	**739**
	- Multilateral	46	160	20,632	250	157	552
	- Local Currency Sec (T-bills)	0	0	42,089	510	53	187
	- Commercial Loans	-	-	-	-	-	-
II	**From IMF**	**2,040**	**7,124**	**691,411**	**8,378**	**2,642**	**9,267**
	- Federal Government	1,538	5,369	372,692	4,516	1,563	5,484
	- Central Bank	503	1,755	318,719	3862	1,078	3,783

Source: Economic Affairs Division

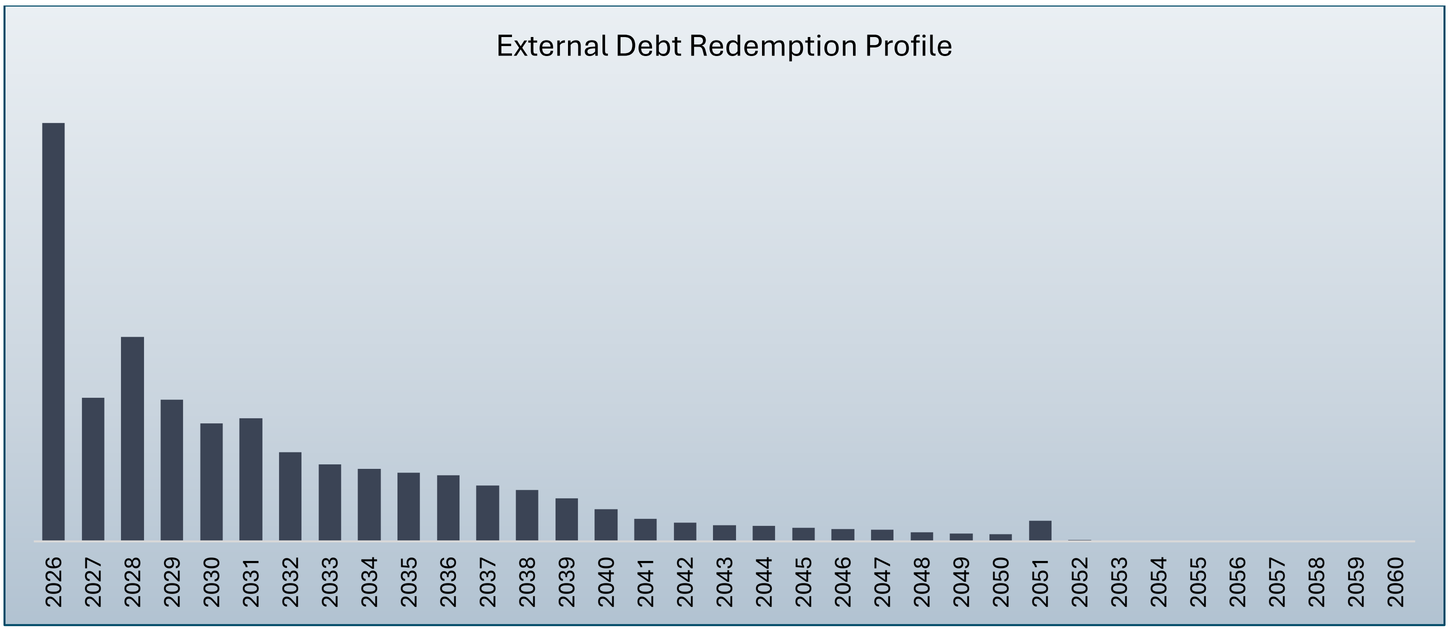
Guarantees Portfolio

	Jun-23		Jun-24		Jun-25	
	PKR bn	**USD bn**	**PKR bn**	**USD bn**	**PKR bn**	**USD bn**
(Sector Wise Breakup)						
Total Guarantees Stock	**3,519**	**12.3**	**3,387**	**12.2**	**4,265**	**15**
Power Sector	2,545	8.9	2,353	8.5	2,428	8.6
Aviation	249	0.9	247	0.9	269	0.9
Financial	110	0.4	114	0.4	121	0.4
Manufacturing	102	0.4	45	0.2	45	0.2
Oil & Gas	166	0.6	170	0.6	129	0.5
Commodities Operations					851	3.0
Others	348	1.2	452	1.6	423	1.5
(Interest Rate Type)						
Total Guarantees Stock	**3,519**	**12.3**	**3,387.00**	**12.2**	**4,265**	**15.0**
- Floating Rate	1,737	6.1	1,498	5.4	2,225	**7.8**
- Fixed Rate	1,782	6.2	1,889	6.8	2,040	**7.2**

Source: Ministry of Finance



Source: Ministry of Finance & State Bank of Pakistan



Source: Economic Affairs Division

Pakistan's International Bonds								
Sr. No.	**Name**	**Issue Date**	**Maturity Date**	**Face Value US$ mn**	**Coupon % p.a**	**Original Maturity (Years)**	**YTM (FY24)**	**YTM (FY25)**
I	Eurobond	30-Sep-15	30-Sep-25	500	8.25	10	12.31%	5.3%
II	Eurobond	08-Apr-21	08-Apr-26	1,300	6	5	12.42%	6.6%
III	Eurobond	05-Dec-17	05-Dec-27	1,500	6.875	10	11.80%	7.1%
IV	International Sukuk	31-Jan-22	31-Jan-29	1,000	7.95	7	11.01%	7.6%
V	Eurobond	08-Apr-21	08-Apr-31	1,400	7.375	10	11.99%	8.4%
VI	Eurobond	30-Mar-06	31-Mar-36	300	7.875	30	11.85%	9.0%
VII	Eurobond	08-Apr-21	08-Apr-51	800	8.875	30	11.95%	10.0%

Source: Bloomberg