VIS
Credit Rating Company Limited

OLP FINANCIAL SERVICES PAKISTAN LIMITED

Analyst:
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RATING DETAILS		
RATINGS CATEGORY	Latest Rating	Initial Rating
	Long-term	Long-term
TFC – 1 RATING	AAA	AAA
RATING OUTLOOK/ WATCH	Stable	Stable
RATING ACTION	Reaffirmed	Initial
RATING DATE	September 11, 2026	February 26, 2026

Shareholding (5% or More)	Other Information
ORIX Corporation – 49.58%	Incorporated in 1986
State Life Insurance Corporation of Pakistan – 9.99%	Public Limited Company (Listed)
Atiqa Begum – 6.46%	Chief Executive: Mr. Shaheen Amin
	External Auditor: KPMG Taseer Hadi & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Non-Bank Finance Company
https://docs.vis.com.pk/Methodologies-2025/NBFC-Nov-2025.pdf
Scale Translation
https://docs.vis.com.pk/Methodologies-2026/Scale-Translation-2026.pdf
Instrument Rating
https://docs.vis.com.pk/Methodologies-2026/IRM-2026.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The ratings of OLP Financial Services Pakistan Limited ('OLPFSL' or the 'Company') reflect its strong credit profile, underpinned by a robust governance framework, established market position, and strong sponsor support from ORIX Corporation, Japan. The Company benefits from extensive experience in SME-focused financing, a diversified business platform, and disciplined risk management practices, including prudent underwriting and portfolio monitoring practices. Asset quality has remained sound despite continued portfolio growth and a gradual shift towards finance and loan products. Profitability remained resilient, supported by portfolio expansion, improved funding costs, and a stable spread, although earnings continue to face pressure from lower asset yields and a changing interest rate environment. Capitalization remains adequate due to internal capital generation, while higher leverage accompanying portfolio expansion warrants continued monitoring. Liquidity is considered satisfactory, supported by a diversified funding base, greater reliance on longer-tenor borrowings, and a positive maturity profile. Going forward, the ratings will remain sensitive to the Company's ability to sustain asset quality, preserve profitability, maintain adequate liquidity, and manage leverage as the financing portfolio expands.

Company Profile

OLP Financial Services Pakistan Limited ('OLPFSL' or the 'Company') was incorporated in July 1986 as a joint venture between ORIX Corporation, Japan, and local investors. The Company is listed on the Pakistan Stock Exchange (PSX) and maintains its head office in Karachi, with a nationwide presence through 30 branches across 25 cities.

Leveraging four decades of operational experience, OLPFSL delivers a comprehensive range of financial products and services to a diverse customer base. The Company places strategic emphasis on the Small and Medium Enterprises (SME) sector, facilitating business expansion and contributing to employment generation and economic growth in Pakistan.

Subsidiaries & Associates

- **OLP Services Pakistan (Private) Limited** – Functions as a Modaraba Company, primarily engaged in the floatation and management of Modarabas in accordance with the Modaraba Ordinance.
- **OLP Modaraba** – A Shariah-compliant financial institution listed on the PSX, offering financing solutions for machinery, equipment, vehicles, and housing.
- **Yanal Finance Company (Saudi Arabia)** – Provides medium-term asset financing with a focus on SMEs, operating through multiple branches across the Kingdom.
- **SAMA Finance SAE (Egypt)** – A joint venture leasing company catering to SME financing, supported by technical expertise.

Sponsor Profile

OLPFSL is majority-owned by ORIX Corporation, Japan, holding around 49.58% shares, with other significant stake held by State Life Insurance Corporation (9.99%), while the remaining shareholding is distributed among institutions, insiders, and the general public.

ORIX Corporation, established in 1964, is an integrated financial services group headquartered in Tokyo, Japan. It is listed on both the Tokyo Stock Exchange and the New York Stock Exchange. As of June 30, 2025, the Group reported total assets of ¥17,000 billion (US$117 billion) and equity of ¥4,223 billion (US$29 billion).

With operations in 28 countries and regions, ORIX offers a diversified range of services to corporate and retail customers. Its activities include corporate financial services such as leases and loans, automobile operations, rental operations, real estate-related finance and development, life insurance, and investment banking. The Group has also expanded its scope by incorporating specialized capabilities in various financial transactions and tangible asset management, supplementing its core leasing expertise. The sponsor currently holds a 'AA' issuer rating from The Japan Credit Rating Agency (JCR), underscoring its strong financial profile and support capacity.

Management and Governance

OLPFSL has established a comprehensive risk management framework that facilitates the identification, monitoring, and mitigation of risks across its operations. The framework is supported by Board-level oversight through the Board Audit & Risk Committee (BA&RC), chaired by an independent director, and further reinforced by management committees, departmental supervision, and strong internal controls. The Enterprise Risk Management (ERM) framework, applied consistently across all functions, allows the Board of Directors (BoD) to review risk exposures comprehensively and ensure alignment with strategic objectives.

OLPFSL operates under a strong governance framework that emphasizes transparency, accountability, and regulatory compliance. The BoD comprises five non-executive directors, two independent directors, and the Chief Executive Officer, supported by specialized sub-committees including the ARC, Human Resource, Nomination and Remuneration Committee (HRNRC), Credit Committee (CC), and Compensation Committee.

The Company's governance is strengthened by its sponsor, ORIX Corporation, Japan, which plays an active role in decision-making and operational oversight through its nominated non-executive directors—Mr. Yoshiaki Matsuoka, Ms. Yoko Miura, and Ms. Kotoko Sato. These representatives participate actively in key committees and ensure alignment of OLPFSL's strategy with group-level objectives.

Strategic priorities such as maintaining return on equity, improving cost-to-income ratios, and diversifying funding sources are cascaded from the parent company and integrated into local business planning. Regular reporting to ORIX on operational, financial, and portfolio developments, alongside periodic strategic reviews, ensures effective oversight and strengthens OLPFSL's governance and credit profile.

CHAIRMAN/CEO PROFILE

Mr. Khalid Aziz Mirza serves as the Chairman of the Board of Directors (BoD). He has nearly five decades of professional experience spanning investment banking, development finance, regulatory leadership, and academia, both in Pakistan as well as with international organizations. From 2000 to 2003, he was Chairman of the Securities and Exchange Commission of Pakistan (SECP). He subsequently managed World Bank programs for financial and private sector development in the East Asia and Pacific Region (2003–2006) and served as Chairman of the Monopoly Control Authority (2006–2007), advising on its transformation into a competition agency. From 2007 to 2010, Mr. Mirza was the first Chairman of the Competition Commission of Pakistan, overseeing the introduction of the new competition law and capacity-building measures. Since 2010, he has been associated with the Lahore University of Management Sciences (LUMS), teaching business and economics and becoming a full professor in 2014.

Mr. Shaheen Amin serves as the CEO of OLPFSL. He joined the Company in December 1986 and held a range of positions before being appointed Deputy Managing Director in January 1992. He was subsequently appointed the founding General Manager of Oman ORIX Leasing Company SAOG and, in 2000, became the founding General Manager of Yanal Finance Company (formerly Saudi ORIX Leasing Company).

Mr. Amin holds an MBA from the Booth School of Business, University of Chicago, and an Executive Masters in Risk Management from the Stern School of Business, New York University. His career with the Company and its international affiliates spans senior leadership roles involving operational management, business development, and strategic oversight.

RISK MANAGEMENT

Credit risk management is central to the Company's operations. Policies approved by the Board set clear parameters for credit origination, sectoral concentration limits, and portfolio monitoring. The Risk Management Department (RMD) ensures compliance with these policies and reports directly to the Board's Credit Committee. Exposures that exceed defined thresholds are escalated to the Committee for approval, ensuring prudent oversight. Scorecard-based evaluations at origination and review stages enable early detection of credit weaknesses.

Risk mitigation is further strengthened through strict collateral requirements, extensive client monitoring, and the Company's ability to repossess leased assets in case of default, given its ownership rights. The Company also benefits from its institutional experience, which has fostered brand loyalty and long-term relationships with clients. A significant portion of the portfolio comprises repeat clients with established repayment records, reducing overall credit risk. These practices have enabled OLPFSL to maintain a well-diversified portfolio, low levels of non-performing loans, and resilience against adverse economic conditions, reinforcing the Company's financial stability and risk culture.

ESG-SUSTAINAIBILITY

The Company is committed to embedding Environmental, Social, and Governance (ESG) considerations into its corporate framework through a formal ESG policy that guides responsible practices across operations. The BA&RC has been assigned expanded Terms of Reference to strengthen oversight of sustainability matters. ESG factors are incorporated into investment and financing decisions, with corrective action plans developed to address identified risks. The Company has initiated financing for solar projects for its lessees and is working to formalize this into a dedicated product, while also evaluating further green financing opportunities. In addition, OLPFSL assesses the impact of climate-related risks and opportunities on its business, strategy, and financial planning over the short and long term, and meets a portion of its energy needs through renewable sources.

The Company emphasizes human capital development, leadership training, and succession planning while fostering an inclusive workplace culture through recognition programs and employee engagement initiatives. A strong focus on diversity, equity, and inclusion (DEI) is reflected in ongoing policy development and efforts to narrow gender pay gaps. OLP also upholds strict anti-harassment and equal opportunity policies, ensuring a safe and supportive work environment. On the social front, the Company actively supports healthcare and education for underprivileged communities through contributions to hospitals, academic institutions, and welfare organizations, reinforcing its role as a responsible corporate citizen.

Auditor Opinion

KPMG Taseer Hadi & Co., Chartered Accountants, an ICAP QCR-rated firm categorized as 'Category A' on the SBP's Panel of Auditors, was appointed as the external auditor for FY25 following the mandatory rotation of A. F. Ferguson & Co., Chartered Accountants (PwC Pakistan) after completion of its five-year tenure. The external auditor issued an unmodified opinion on the financial statements for the year ended 30 June 2025. This marks the second year of KPMG Taseer Hadi & Co., Chartered Accountants, as the external auditors of the Company.

Business Risk

INDUSTRY UPDATE

The Non-Bank Financial Institutions (NBFI) sector in Pakistan expanded strongly, with total assets rising 42% in FY25 to reach PKR 5.64 trillion by June 2025, and surging an additional 21% in the subsequent six months to hit PKR 6.84 trillion as of December 31, 2025. This growth reflects a Compound Annual Growth Rate (CAGR) of 39% since June 2022. The expansion is heavily dominated by Mutual Funds and Plans, which account for 66.3% of total sector assets (PKR 4.54 trillion). These are followed, Non-Bank Microfinance Companies (NBMFCs) at 6.0% (PKR 410.41 billion), Investment Banks at 5.0% (PKR 339.12 billion), and Real Estate Investment Trusts (REITs) at 3.2% (PKR 218.89 billion). Modarabas represent 1.0% of total assets (PKR 67.80 billion), meanwhile, leasing continues to be a minor segment representing 0.1% of the industry (PKR 5.27 billion) across only three operating players.

The growth of Islamic finance structures is a defining trend of the sector's expansion. Shariah-compliant assets grew at a CAGR of 48% from June 2022 to December 2025, significantly outpacing the conventional asset growth of 35%. Consequently, Shariah-compliant assets reached PKR 2.48 trillion, claiming a 36% share of the total NBFI industry. This trend is highly visible in mutual funds, where Shariah-compliant mutual funds reached PKR 2.11 trillion (47% of total mutual fund assets), and in voluntary pension schemes, where Shariah-compliant pension funds constitute 66.0% (PKR 89 billion) of total pension assets.

Within the lending sector, which achieved a combined asset size of PKR 824 billion as of December 31, 2025, is primarily channeled into loans and advances, which account for 53.9% (PKR 443.96 billion), followed by investments at 26.3% (PKR 216.61 billion).

Looking ahead, NBFI sector expansion will depend on macroeconomic recovery and regulatory facilitation by the SECP. Mutual funds are anticipated to retain their market dominance through retail and corporate engagement, while Modarabas and Shariah-compliant windows are set to further deepen Islamic offerings. Microfinance players are expected to continue scaling digital onboarding to expand financial inclusion, while the recovery of leasing will remain closely linked to SME demand and rate stability.

PROFITABILITY

The Company's profitability remained satisfactory during FY25, despite a moderation in earnings following the gradual easing of benchmark interest rates. The return on earning assets declined to 20.8% (FY24: 26.5%), while the cost of funding also decreased to 15.5% (FY24: 21.3%), resulting in a broadly stable spread of 5.3% (FY24: 5.2%). Net markup income declined by 9.1% to PKR 2.7bn (FY24: PKR 3.0bn), primarily due to a reduction in the high yielding asset and an increase in long-term funding. Other income also moderated slightly to PKR 917.0mn (FY24: PKR 959.3mn), while the share of profit from associates increased marginally to PKR 154.3mn (FY24: PKR 139.6mn). The decline in recurring income, coupled with higher administrative and direct costs, resulted in an increase in the efficiency ratio to 44.9% (FY24: 40.0%). Although the impact of higher other provisions and write-off costs of PKR 226.4mn (FY24: PKR 216.5mn) was partly offset by a credit loss reversal of PKR 142.6mn (FY24: PKR 42.2mn), profit before tax slightly declined to PKR 2.0bn (FY24: PKR 2.3bn). In line with the lower earnings, profitability indicators moderated, with ROAA and ROAE declining to 3.7% (FY24: 4.4%) and 11.7% (FY24: 13.7%), respectively.

During 9MFY26, profitability remained resilient despite continued pressure on asset yields. The return on earning assets declined further to 17.4% (9MFY25: 21.8%), while the cost of funding also decreased to 11.5% (9MFY25: 16.5%), resulting in an improvement in the spread to 5.9% (9MFY25: 5.3%). Net markup income increased by 5.6% to PKR 2.20bn (9MFY25: PKR 2.1bn), supported by significant growth in the loans and finance portfolio and an improved spread. Other income moderated to PKR 642.9mn (9MFY25: PKR 703.0mn), primarily due to lower income from government securities and reduced capital gains, partly offset by higher documentation and fee income. The share of profit from associates also declined slightly to PKR 100.1mn (9MFY25: PKR 154.3mn). Operating expenses remained largely stable, with the efficiency ratio maintained at 43.4% (9MFY25: 43.3%). Other provisions declined significantly to PKR 29.5mn (9MFY25: PKR 119.8mn), following the write-off recognized in the previous period. Consequently, profit before taxation improved marginally to PKR 1.7bn (9MFY25: PKR 1.6bn). Profitability indicators remained stable, with annualized ROAA and ROAE of 3.62% and 12.21%, respectively. Going forward, sustaining profitability will remain dependent on continued portfolio growth, operational optimization, and preservation of asset quality in the prevailing interest rate environment.

Financial Risk

ASSET QUALITY

The Company's asset quality remained sound during the review period despite continued portfolio expansion and a changing business mix. The financing portfolio continued to shift towards finance & loans, with the gross finance & loans portfolio growing by 1.5x to PKR 24.8bn (Jun'25: PKR 21.3bn; Jun'24: PKR 16.5bn) as of Mar'26, while the finance lease portfolio continued its planned run-off, declining to PKR 7.5bn (Jun'25: PKR 7.9bn; Jun'24: PKR 9.2bn). A moderate increase in Stage-3 exposures was noted, with the gross and net infection ratios rising to 1.9% and 1.0%, respectively (Jun'25: 1.7% and 0.6%; Jun'24: 1.2% and 0.2%). The increase in net infection was due to reduction in specific provisioning to 49.1% (Jun'25: 62.7%; Jun'24: PKR 83.5%), indicating lower impairment requirements. In contrast, the finance lease portfolio exhibited stable gross infection ratio to 4.9% (Jun'25: 4.6%; Jun'24: 4.8%), although the net infection ratio increased to 0.6% (Jun'25: 0.3; Jun'24: -1.5%) as provisioning coverage moderated to 87.8% (Jun'25: 93.4%; Jun'24: 132.1%). The Company continued to maintain disciplined underwriting standards, and active monitoring, which supported the overall credit quality of the portfolio. Going forward, maintaining prudent underwriting standards and portfolio quality while pursuing selective growth will remain important in sustaining the Company's asset quality.

CAPITALIZATION

The Company's capitalization remained adequate during review period, supported by continued internal capital generation, although leverage increased in line with portfolio expansion. Tier 1 equity increased by 8.9% to PKR 10.4bn (Jun'25: PKR 10.0bn; Jun'24: PKR 9.6bn) on the back of profit retention. At the same time, total debt increased to PKR 21.6bn (Jun'25: PKR 18.7bn; Jun'24: PKR 13.2bn), reflecting additional long-term borrowings mobilized to support growth in the financing portfolio. Consequently, the gearing ratio increased to 2.07x (Jun'25: 1.86x; Jun'24: 1.38x), while leverage rose to 2.69x (Jun'25: 2.45x; Jun'24: 2.24x). Going forward, maintaining a prudent balance between portfolio growth, leverage, and internal capital generation will remain important in preserving capitalization strength.

LIQUIDITY

The Company's liquidity profile remained satisfactory, supported by a diversified funding base comprising commercial bank borrowings, Certificates of Deposit (CODs), and a Privately Placed Term Finance Certificate (PPTFC). To support the expansion of its financing portfolio, the Company increased long-term borrowings to PKR 19.2bn (Jun'25: PKR 16.8bn; Jun'24: PKR 11.5bn), while short-term borrowings increased moderately to PKR 2.4bn (Jun'25: PKR 1.9bn; Jun'24: PKR 1.7bn), indicating a greater reliance on longer-tenor funding. Whereas, the COD portfolio declined significantly to PKR 2.8bn (Jun'25: PKR 2.7bn; Jun'24: PKR 5.1bn), primarily due to higher cost. The portfolio remained predominantly individual-based, providing a relatively granular and stable source of funding. Liquid assets have remained range-bound at PKR 3.0bn (Jun'25: PKR 2.5bn; Jun'24: PKR 3.0bn) with investments deployed towards listed/unlisted shares, long-term deposit and market treasury bills. Hence, liquid Assets-to-Funding ratio moderating to 12.2% (Jun'25: 11.6x; Jun'24: 16.3%). The maturity profile reflects a positive maturity mismatch, with financial assets exceeding financial liabilities under one year maturity buckets, resulting in a cumulative positive on-balance sheet gap. Going forward, maintaining a balanced funding mix and prudent liquidity management while aligning funding maturities with portfolio growth will remain important in preserving the Company's liquidity profile.

Financial Summary				Appendix I
Balance Sheet (PKR Millions)	FY23	FY24	FY25	9MFY26
Fixed Assets	1,265.88	1,262.75	1,339.57	1,251.21
Net Investment in Finance Lease	5,733.89	4,099.59	3,725.71	3,575.31
Investments (Long-term & Short-term)	2,448.18	2,576.13	2,205.05	2,836.18
Investment in Subsidiaries and Associates	2,040.90	2,029.79	2,097.99	2,167.89
Long-term Finances & Loans	7,270.78	9,019.48	10,979.59	12,294.00
Short-term finances	42.39	33.63	5.11	0.81
Current maturity of Non-Current Assets	12,603.88	12,234.78	14,218.47	16,276.81
Cash and Bank Balances	145.39	404.21	278.21	132.98
Other Assets	401.95	293.53	566.86	832.51
Total Assets	**31,953.24**	**31,953.88**	**35,416.56**	**39,367.70**
Long-term finances (incl. of current maturity)	13,523.60	11,525.96	16,759.16	19,207.77
Short-term Borrowings	860.82	1,683.56	1,917.44	2,366.39
Total Debt	**14,384.42**	**13,209.52**	**18,676.60**	**21,574.16**
Accrued and Other Liabilities	1,187.19	1,574.96	1,546.23	2,184.33
Certificates of deposits (incl. of current maturity)	4,300.66	5,076.34	2,750.65	2,794.47
Other Liabilities	2,286.96	1,622.53	1,545.63	1,530.90
Total Liabilities	**22,159.24**	**21,483.35**	**24,519.11**	**28,083.86**
Paid-up Capital	1,754.08	1,754.08	1,754.08	1,754.08
Tier 1 Equity	8,871.95	9,572.23	10,022.89	10,427.09
Total Equity	**9,794.00**	**10,470.54**	**10,897.45**	**11,283.84**
Income Statement (PKR Millions)	FY23	FY24	FY25	9MFY26
Net-Markup Income	**2,745.68**	**3,008.66**	**2,734.23**	**2,202.94**
Other Income	774.35	959.32	917.02	642.86
Operating Expenses	1,472.45	1,642.43	1,709.40	1,278.50
Total Provisioning/(Reversal)	136.56	174.28	83.73	6.11
Profit/(Loss) Before Tax	**2,029.04**	**2,290.85**	**2,012.38**	**1,661.29**
Profit/(Loss) After Tax	**1,210.73**	**1,392.91**	**1,245.82**	**1,016.02**
Ratio Analysis	FY23	FY24	FY25	9MFY26
Gross Infection (%) - Finance Lease	4.39%	4.78%	4.57%	4.88%
Net Infection (%) - Finance Lease	-1.51%	-1.53%	0.30%	0.60%
Total Provisioning Coverage (%) - Finance Lease	134.37%	132.10%	93.38%	87.76%
Gross Infection (%) - Finance & Loans	0.95%	1.22%	1.70%	1.91%
Net Infection (%) - Finance & Loans	0.14%	0.20%	0.64%	0.98%
General Provisioning Coverage (%) - Finance & Loans	0.44%	0.35%	0.46%	0.18%
Specific Provisioning Coverage (%) - Finance & Loans	85.62%	83.51%	62.73%	49.06%
Liquid Assets to Funding (%)	13.88%	16.30%	11.59%	12.18%
Current ratio (x)	1.33	1.21	1.45	1.34
Efficiency (%)	40.47%	39.99%	44.92%	43.40%
Return on Earning Assets	22.58%	26.52%	20.80%	17.37%
Cost of Funding	16.30%	21.33%	15.51%	11.45%
Spread	6.28%	5.20%	5.29%	5.92%
Return on Average Assets* (%)	3.93%	4.36%	3.64%	3.62%
Return on Average Equity* (%)	12.94%	13.75%	11.47%	12.21%
Gearing (x)	1.62	1.38	1.86	2.07
Leverage (x)	2.50	2.24	2.45	2.69
Annualized, if required				

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	OLP Financial Services Pakistan Limited
Sector	Non-Bank Financial Companies
Type of Relationship	Solicited
Purpose of Rating	Instrument Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: ENTITY		
11/09/2026	AAA	A1+	Stable	Reaffirmed
11/09/2025	AAA	A1+	Stable	Initial
		RATING TYPE: TFC – 1		
11/09/2026	AAA		Stable	Reaffirmed
26/02/2026	AAA		Stable	Initial

Instrument Structure

Instrument Name	**Privately Placed Term Finance Certificate**
Nature of Instrument	TFC
Tenure of Instrument	5 Years
Size of the Issue	PKR 3.0 billion
Principle Redemption Schedule	Quarterly
Interest Redemption Schedule	Quarterly
Issue Date	December 30, 2021
Grace Period	One year
Redemption Date	December 30, 2026
Nature of Security	The security structure is to include, without limitation: 1. Exclusive charge on specific, leased, financed assets and related receivables with requisite margin. 2. Any other security as may be required by Mandated Lead Advisor & Arranger (MLAA).
Profit Rate	3 months KIBOR plus 80bps per annum
Rating	AAA
Name of Trustee	Pak Oman Investment Company Limited

Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Abid Hussain Awan	Chief Financial Officer (CFO)	August 21, 2026
Mr. Zohair Raza	Senior Manager	
Mr. Faisal Islam	Assistant Manager	