RATING REPORT

Pakistan Microfinance Investment Company Limited (PMIC)

REPORT DATE:
September 04, 2025

RATING ANALYST:

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RATING DETAILS

Rating Category	Latest Rating
	Short-term
Commercial Paper (CP)	A1+(plim)
Rating Date	*September 04, 2025*
Rating Action	*Preliminary*

COMPANY INFORMATION

Incorporated in 2016	**External auditors:** A.F. Ferguson & Co. Chartered Accountants
Unlisted Public Company	**Chairman of the Board**: Mr. Naved Abid Khan
Key Shareholders (with stake 5% or more):	**Chief Executive Officer**: Yasir Ashfaq
Pakistan Poverty Alleviation Fund (PPAF) – 49%	
Karandaaz Pakistan (KRN) – 38%	
KfW Development Bank- 13%	

APPLICABLE METHODOLOGY(IES)

Non-Banking Finance Company
https://docs.vis.com.pk/Methodologies%202024/NBFCs202003.pdf

Rating Scales & Definitions
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Pakistan Microfinance Investment Company Limited

OVERVIEW OF THE INSTITUTION

PMIC was incorporated on August 10, 2016 under the Companies Ordinance, 1984 (now the Companies Act, 2017) as a public unlisted company.

The Company is licensed to carry out investment finance services as a Non-Banking Finance Company ("NBFC") under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the NBFC Rules") and Non-Banking Finance Companies and

Chairman's Profile:

Mr. Naved A. Khan brings over 30 years of professional experience, including 27 years in banking. He is the Chief Executive and Chairman of the Sharmeen Khan Memorial Foundation. Previously, he served as President and CEO of Faysal Bank Limited and ABN Amro Bank, Pakistan Limited, and held senior management roles at Bank of America, Pakistan.

He has held prominent leadership positions such as President OICCI, Chairman of the Pakistan Banks Association, Chairman of Faysal Asset Management Limited, Chairman of the Academic Board at the Institute of Bankers Pakistan, President of Rotary Club Karachi Metropolitan, and Vice President of the

RATING RATIONALE

The proposed commercial paper rating reflects Pakistan Microfinance Investment Company's ('PMIC' or the 'Company') strategic position as Pakistan's largest wholesale lender to microfinance institutions, serving as a key enabler of the country's financial inclusion agenda. Rating also incorporates strong sponsor backing from Pakistan Poverty Alleviation Fund (PPAF), Karandaaz, and KfW Development Bank (KfW), providing financial strength, sector expertise, and operational support. PMIC preserves strong asset quality through rigorous underwriting and continuous monitoring of partner institutions, sustaining credit quality amid microfinance sector challenges. The Company's sound liquidity profile, reinforced by sponsor support, robust capitalization, and prudent funding strategies provides additional comfort for timely redemption of the instrument. A streamlined governance framework, experienced management, and ongoing strategic initiatives in product innovation, green financing, and women-focused financial inclusion enhance sustainability and long-term creditworthiness, while its planned short-term commercial paper program reflects prudent funding diversification to support operational growth.

Corporate profile:

PMIC was incorporated on August 10, 2016 under the Companies Ordinance, 1984 (now the Companies Act, 2017) as a public unlisted company. It is licensed to operate as a Non-Banking Finance Company (NBFC), authorized to provide investment finance services.

PMIC's business model focuses on unlocking access to finance for low-income households and underserved communities. As the largest wholesale lender to MFIs in Pakistan, PMIC offers senior and subordinate debt, credit guarantees, risk-sharing instruments, and targeted funding for high-impact areas such as renewable energy, women entrepreneurship, and climate-resilient agriculture. Beyond lending, PMIC acts as an ecosystem enabler by linking microfinance with capital markets and supporting institutional development. Its key initiatives includes MFI capacity building, product innovation, access to commercial and development finance, policy advocacy, and improving sector infrastructure through global best practices.

Sponsor Profile

PMIC is a unique public-private partnership, supported by three prominent institutions committed to inclusive development and poverty reduction in Pakistan. Each shareholder brings strategic value and complementary strengths:

Pakistan Poverty Alleviation Fund (PPAF) – 49% Shareholding

PPAF is a flagship public sector institution focused on empowering marginalized communities and eradicating poverty at the grassroots level. It serves as a key platform for social and economic

Institute of Bankers Pakistan.Mr. Khan currently serves on the boards of several organizations, including Dubai Islamic Bank, Karachi Shipyard & Engineering Works, Fauji Fertilizer Bin Qasim, NRSP Microfinance Bank, Galiyat Development Authority (KPK), AGP Private Limited, Bahria Foundation, and Gas & Oil Company Pakistan (GO).

He holds a Bachelor of Science degree from Indiana University, USA, and an MBA from Butler University, USA. He is also a certified director from the Pakistan Institute of Corporate Governance.

Profile of MD / CEO

Mr. Yasir Ashfaq serves as the CEO of PMIC, a role he assumed after working as the company's COO since its inception in August 2016. Prior to PMIC, he was Group Head of Financial Services at PPAF. With over 25 years of experience in Pakistan's financial sector, Mr. Ashfaq has held senior management positions in both commercial and investment banks. His expertise spans policy and strategy development, corporate finance, portfolio management, treasury, risk management, institutional development, and the design of innovative financial products and delivery mechanisms. He is a Fellow of ICMA and holds a master's degree in economics from the University of Sydney, Australia.

development in Pakistan, with a strong track record in community-driven development and financial inclusion.

Karandaaz Pakistan (KRN) – 38% Shareholding

Karandaaz is a development finance company working to promote access to finance for small and medium enterprises (SMEs) and to drive innovation in digital financial services. Funded by the UK's Foreign, Commonwealth & Development Office (FCDO) and the Bill & Melinda Gates Foundation, Karandaaz plays a pivotal role in advancing financial inclusion and economic growth.

KfW Development Bank – 13% Shareholding

KfW is Germany's leading development bank and a key player in global development finance. Operating on behalf of the German government, KfW supports sustainable economic growth, social equity, and environmental protection in developing countries, including Pakistan. The Bank has a "AAA" credit rating from Fitch – a notable international rating agency.

BUSINESS RISK

Sector update

The microfinance industry expanded in 2024, with assets rising 38.5% to PKR 1.07trn, driven by a 136.9% surge in investments in government securities. Credit growth remained modest at 10.9%, with the Gross Loan Portfolio (GLP) up 9.2% to PKR 598bn, alongside a 28.7% increase in borrowers (12.1m). Deposits reached PKR 629.7bn with 118.7m active depositors.

Microfinance Banks (MFBs) led growth through digital wallets and nano-lending, which expanded 177% and now account for half of total borrowers (~6.4m). This boosted financial inclusion, especially for women (5.6m borrowers, 46% of total). However, rapid nano-lending contributed to further weakening of asset quality, with PAR>30 days spiking to 10.6% (Dec'23: 4.4%) and net sector losses doubling to PKR 16.2bn, leaving capitalization severely strained (Tier-1 CAR: 0.1%). In contrast, Microfinance Institutions (MFIs) showed stronger credit discipline, with PAR>30 contained at 1.57%. While smaller in scale and digital reach, their traditional lending model ensured resilience. Going forward, the sector's sustainability hinges on recapitalization of MFBs, strengthening underwriting standards, and balancing rapid digital growth with prudent risk controls.

Governance & Management

PMIC maintains a strong governance framework through a diverse Board of Directors comprising independent professionals and nominee directors from PPAF, Karandaaz, and KfW, ensuring balanced oversight, stakeholder representation, and sector expertise. The Board is supported by specialized committees on audit, risk, and HR, complemented by regular performance evaluations. Management, led by CEO Mr. Yasir Ashfaq since 2017, consists of seasoned professionals with expertise in banking, finance, risk management, legal expertise, and a development focus supported by functional committees for risk, assets-liabilities management, and IT. This structure promotes effective oversight, operational efficiency, financial discipline, and strategic alignment, enabling PMIC to fulfill its mandate as an apex microfinance institution.

Risk Management

PMIC employs a comprehensive risk management framework with Board oversight, focusing on rigorous portfolio monitoring to safeguard asset quality. Credit risk is managed through its Institutional Rating System, regular portfolio reviews, and field visits, while liquidity and market risks are assessed using modern tools such as stress tests and repricing analysis and managed through ALCO. Operational, compliance, and E&S risks are addressed through internal controls, IT safeguards, and a full-scale policy framework. By continuously tracking partner institutions and supporting them with advisory services, PMIC ensures early risk identification, resilience against economic shocks, and sustained sector stability.

Product Development

PMIC serves nearly 800,000 microfinance clients, 88% women and 64% rural, through wholesale lending to MFIs and MFBs, with a portfolio diversified across trade, services, agriculture, education, renewable energy, and housing. To strengthen resilience against economic volatility and safeguard portfolio quality, PMIC secured a USD 30 million portfolio guarantee from the U.S. International Development Finance Corporation (DFC), enhancing its lending capacity, mitigating risk of credit shocks, and enabling Microfinance Partner Institutions (MFPs) to reach underserved segments. Building on this, PMIC is expanding Islamic microfinance offerings, piloting climate-adaptive agriculture finance, electric bikes, and digital credit scoring models, while also scaling programs in renewable energy, education finance, and livestock microinsurance. Looking ahead, its 2025–27 strategy targets doubling the portfolio to PKR 56 billion, onboarding fintechs and agritechs, and expanding outreach to 1.1 million clients, with a strong focus on women, underprivileged regions, and blended finance solutions to drive sustainable financial inclusion.

OPERATIONAL MATRIX	CY23	CY24	1QCY25
Loan Portfolio (In Billions)	27.5	30.2	30.9
Loan Portfolio Deployment in Extreme Poverty Zones (In Billions)	3.70	3.39	3.39
Total Clients	730,000	673,456	667,905
Number of Districts	85.0	88.0	88.0
Total Microfinance Borrowers	26.0	24.0	24.0
Women Clients	87%	88%	88%
Youth Clients	37%	37%	37%
Rural Clients	63%	64%	64%
Renewable Energy Units Sold	33,000	35,300	36,700
Livestock Insured	720	2,508	2,508
Cumulative Jobs Supported by Microfinance Lending Operations	1,000,000	1,055,965	1,055,965
Incremental Revenue Generation by PMIC's Financed Micro Enterprises (In Billions)	110.0	118.4	118.4

ESG-Sustainability

PMIC is embedding sustainability at the core of its mandate by promoting green financing, women's empowerment, and climate-resilient livelihoods. Its initiatives span renewable energy, water management, affordable housing, and climate-adaptive agriculture, while governance practices remain aligned with SBP standards. Through these measures, PMIC aims to foster inclusive growth with lasting social and environmental impact.

Profitability

During CY24, PMIC's net markup income rose to PKR 2.4bn (CY23: PKR 2.2bn), reflecting sustained growth in core earnings. While operating expenses increased moderately to PKR 612.4mn (CY23: PKR 555.7mn) in line with business expansion and impairment charge rose to PKR 707.7mn (CY23: 554.8mn) amid prudent provisioning approach by management, profitability was moderated by a fair value loss of PKR 14.2mn (CY23: PKR 284.1mn (Gain)) on the derivative financial instrument.

Profitability strengthened in 1HCY25, supported by fair value gains leading to a profit after tax of PKR 484m. Management's continued emphasis on cost rationalization and prudent provisioning remains central to sustaining profitability going forward.

FINANCIAL RISK

Asset Quality

As of Dec'24, PMIC's asset base expanded sharply to PKR 192.0bn (CY23: PKR 35.2bn), driven by increased borrowings that were largely parked in short-term government securities, pushing investments to 79.2% of total assets. By Jun'25, the asset base normalized to PKR 43.7bn as investment holdings were unwound, while the financing portfolio grew steadily to PKR 31.7bn, reflecting PMIC's core focus. Management targets 20% annual growth in the financing book, supported by expanded outreach to underserved regions and new partner MFIs.

The credit portfolio is diversified across 26 institutions. As of Jun'25, 62.1% of the portfolio is concentrated among five clients having BBB and above external credit ratings. Islamic financing remained limited at PKR 44m, though expected to grow with new agreements and the shift towards Shariah-compliant modes. By Dec'24, disbursements were largely directed to Services (33.6%), Trade (28.3%), Livestock & Poultry (17.3%), and Manufacturing (10.9%), while geographically concentrated in Punjab and Sindh.

Figure 1: Asset Mix (all figures in PKR Billions, unless stated otherwise)

ASSET MIX	CY23	CY24	1HCY25
Cash & Cash Balances	0.2	1.0	0.3
	0.6%	0.5%	0.8%
Derivative Financial Instrument	0.2	0.5	0.5
	0.6%	0.3%	1.1%
Markup Accrued Receivable	2.5	5.4	2.2
	7.0%	2.8%	5.1%
Financing Portfolio	27.7	30.2	31.7
	78.7%	15.7%	72.4%
Investments	1.8	152.2	5.2

	5.2%	79.2%	11.9%
Other Assets	2.8	2.8	3.8
	7.9%	1.4%	8.8%
Total	35.2	192.0	43.7

Asset quality remained sound in CY24, with NPLs at PKR 481.2m (CY23: PKR 261.7m), largely contained through disciplined underwriting and close monitoring. The main exception was FINCA MFB's restructuring in late 2024, which led to PKR 220m being classified as impaired, with provisions booked. As per management, the impairment is expected to be reversed over the three-year restructuring period. Overall infection ratios remain minimal, supported by active partner engagement and timely risk-mitigation measures. While concentration, regional disparities, and sector liquidity pressures may test asset quality, PMIC's continued emphasis on proactive monitoring, diversification, and risk-mitigation measures will remain important.

Market risk

Market risk remains contained as the portfolio is conservatively structured, primarily in sovereign securities with an average duration of 1 year. The strategy emphasizes capital preservation, short-term positioning, and placements with highly rated counterparties, providing a buffer against interest rate volatility.

Liquidity

PMIC's liquidity profile is supported by a robust funding base of PKR 24.9bn (CY24: PKR 20.1bn; CY23: PKR 15.7bn) end-Dec'24, primarily sourced from financial institutions. While rollover risk remains relevant, stability is reinforced through sound asset liability management in terms of effective cash flow matching, steady client recoveries, and subordinated loans from institutional sponsors. Sizeable placements in government securities, and access to unutilized banking lines, indicate presence of sufficient reserves, as well as ready access to funds to meet any shortfall. Strong sponsor backing also ensures continued access to competitive funding, while the addition of fresh banking lines, going forward are expected to keep liquidity buffers strong.

Leverage and Funding Mix

In 2024, PMIC strengthened its funding profile by onboarding new DFIs, optimizing its funding mix, and securing a USD 30mn loan portfolio guarantee from DFC, enhancing risk-sharing capacity for MFIs. As of June 2025, total borrowings reached PKR 24.9bn, largely comprising long-term commercial bank facilities and SBP credit lines, reflecting a well-diversified funding base, Moreover, PMIC's equity stood at PKR 10.0bn, supplemented by subordinated loans of PKR 7.7bn. Leverage remained stable at 3.4x, a moderate level for a wholesale microfinance lender, reflecting disciplined balance sheet management.

Looking ahead, PMIC plans to reinforce financial resilience by diversifying its funding sources through equity partnerships with impact investors, private equity firms, and DFIs, alongside expanding its Islamic finance offerings. Future initiatives include debt securitization, social impact bonds, and short-term instruments such as Sukuk and commercial papers to deepen capital market access. Additional equity support from sponsors, partly committed, underpins PMIC's growth strategy.

Proposed Instrument

PMIC plans to issue up to PKR 2,500 million short-term, unsecured, privately placed Commercial Paper (inclusive of a PKR 1,000 million Green Shoe Option) to mobilize funding for onward lending to microfinance banks and institutions. The proceeds will primarily support financial inclusion initiatives, particularly enhancing the socio-economic status of women borrowers.

The CP will be issued in denominations of PKR 1 million with a tenor of up to six months, priced at a discount equivalent to 6M KIBOR + 80 bps, and redeemed at face value on maturity. Instruments, issued as promissory notes, will be placed with eligible investors via private placement, with rollovers subject to market conditions.

Pakistan Microfinance Investment Company Limited — Appendix I

FINANCIAL SUMMARY					*(in PKR million)*
BALANCE SHEET	**2021**	**2022**	**2023**	**2024**	**1HCY25**
Gross Advances	25,384.4	27,940.3	29,082.9	31,854.5	33,277.6
Net Advances (Inc Current Portion)	24,141.6	26,461.6	27,707.3	30,186.0	31,658.8
Total Investments	3,195.4	11,741.1	1,830.0	152,162.1	5,190.8
Cash and Bank Balances	2,019.0	544.7	223.4	994.5	347.6
Other Assets	1,751.5	3,853.1	5,430.4	8,698.8	6,534.7
Total Assets	31,107.4	42,600.5	35,191.2	192,041.4	43,731.9
Subordinated Loans (Inc. Current Portion)	9,677.6	8,922.9	9,144.8	8,133.4	7,659.9
Loans and Borrowings (Inc. Current Portion and Lease)	10,356.6	12,496.0	15,302.7	20,209.5	24,910.9
Borrowings**	20,034.2	21,418.9	24,447.5	28,342.9	32,681.2
Total Liabilities	23,834.8	34,685.2	26,386.3	182,539.1	33,721.4
Paid-Up Capital	5,884.2	5,884.2	5,884.2	5,884.2	5,884.2
Net Worth (Exc. Surplus on Reval.)	7,272.6	7,915.3	8,804.9	9,502.3	10,010.5
INCOME STATEMENT	**2021**	**2022**	**2023**	**2024**	**1HCY25**
Net Mark-up Income	1,018.8	1,490.8	2,182.5	2,448.1	1,067.9
Net Provisioning / (Reversal)	(60.8)	(235.8)	(554.8)	(707.7)	(104)
Non-Markup Income	100.5	201.5	374.7	49.0	158.5
Operating Expenses	(389.1)	(498.3)	(555.7)	(612.4)	(303.1)
Profit Before Tax	669.4	958.2	1,446.7	1,177.0	819.3
Profit After Tax	477.1	632.8	894.7	699.4	484.7
RATIO ANALYSIS	**2021**	**2022**	**2023**	**2024**	**1HCY25**
Gross Infection (%)	2.9%	2.9%	0.9%	1.5%	0.8%
Net Infection (%)	-0.1%	0.0%	0.0%	0.0%	0.0%
Stage 3 Provisioning Coverage (%)	101.7%	98.7%	97.1%	100.0%	100%
Stage 1 & 2 Provisioning Coverage (%)	2.0%	2.5%	3.9%	3.8%	4.1%
Net NPLs to Tier-1 Capital (%) (adj. for general prov.)	-0.2%	0.1%	0.1%	0.0%	0.0%
Cost of funds* (%)	8.9%	11.3%	25.5%	8.4%	6.3%
Spreads* (%)	0.0%	1.0%	-1.8%	1.4%	1.3%
Efficiency (%)	13.9%	10.2%	6.6%	5.8%	7.2%
ROAA* (%)	0.0%	1.7%	2.3%	1.9%	2.4%
ROAE* (%) (Exc. Surplus on Reval.)	0.0%	8.3%	10.7%	7.6%	10.1%
Leverage (x)**	3.1	3.0	2.9	3.4	3.4

**Annualized*
***Adjusted for One off Repo borrowings*

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Pakistan Microfinance Investment Company Limited (PMIC)
Sector	Non-Banking Finance Company
Type of Relationship	Solicited
Purpose of Rating	Instrument Rating
Rating History	see below
Instrument Structure	N/A
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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information.
Due Diligence Meeting(s) Conducted	see below

Rating History

Rating Date	Short Term	Outlook/ Rating Watch	Rating Action
RATING TYPE: ENTITY			
04-Sept-25	A1+(plim)		Preliminary

Due Diligence Meeting(s) Conducted

Name	Designation	Date
Yasir Ashfaq	CEO	22nd August, 2025
Saqib Siddiqui	COO	
Neelum Aamir	CFO	
Bilal Razzaq	Lead Corporate Finance & Investment Banking	
Rashid Imran	Chief Risk Compliance Officer	
Hassan Nawaz	Senior Vice President - Finance & Accounts	