VIS
Credit Rating Company Limited

RATING REPORT

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

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RATING DETAILS		
RATINGS CATEGORY	Latest Rating	Initial Rating
	Short-term	Short-term
COMMERCIAL PAPER (CP)	A1+	A1+ (plim)
RATING ACTION	Final	Preliminary
RATING DATE	April 17, 2026	April 09, 2026

Shareholding (5% or More)	Other Information
Pakistan Poverty Alleviation Fund (PPAF) – 49%	Incorporated in 2016
Karandaaz Pakistan (KRN) – 38%	Unlisted Public Company
KfW Development Bank- 13%	Chief Executive Officer: Mr. Yasir Ashfaq
	External auditors: KPMG Taseer Hadi & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Non-Bank Finance Company Rating

https://docs.vis.com.pk/Methodologies-2025/NBFC-Nov-2025.pdf

Instrument Rating

https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf

Rating Scale

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

Rating Rationale

Assigned 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.

Company 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 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.

Management and Governance

BOARD COMPOSITION & MANAGEMENT TEAM

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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, woman entrepreneurship, 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. (woman empowerment)

AUDITOR

KPMG Taseer Hadi & Co. Chartered Accountants, a QCR-rated firm of ICAP and categorized as 'A' on the SBP auditor panel, has expressed an unqualified and unmodified opinion, confirming that the Company's financial statements comply with applicable accounting standards and fairly present the Company's financial position as of December 2025. The financial statements for the year ended December 2025 have been approved by the Board.

Structure of Proposed Commercial Paper (CP)

PMIC has issued PKR 3,000mn in short-term, unsecured, privately placed Commercial Paper to mobilize funding for onward lending to microfinance banks and institutions. The proceeds are primarily used to support financial inclusion initiatives, particularly aimed at enhancing socio-economic status.

The CP is issued in denominations of PKR 1 million with a tenor of six months, priced at a discount equivalent to 3M KIBOR + 50 bps, and redeemed at face value on maturity. The instruments, issued as promissory notes, are placed with eligible investors via private placement, with rollovers subject to market conditions.

Business Risk

INDUSTRY

The microfinance industry (inclusive of banks and institutions) experienced a contraction in 2025, with total assets declining by 3.6% to PKR 1.03trn, primarily due to a 35.2% reduction in investments in government securities. Credit growth remained modest at 11.2%, with the Gross Loan Portfolio (GLP) up 15.5% to PKR 536bn, alongside a 13.3% increase in deposits (PKR 830b). Borrowings reduced by 55.0% to PKR 91.8b. Capital adequacy remained a critical concern as the total capital to total RWA ratio shifted from a positive 2.6% in late 2024 to a negative 1.2% by the end of 2025.

Asset quality showed mixed signals during 2025. While the Non-Performing Loans (NPLs) to total loans improved slightly from 9.7% in Dec'24 to 9.1% in Dec'25, the underlying volume of NPLs actually rose to PKR 48.9bn (Dec'24: PKR 44.9bn). To mitigate this, institutions significantly increased their coverage, with provisions to NPLs jumping from 95.3% in Dec'24 to 138.1% in Dec'25. Consequently, provisioning held against NPLs for the year surged by 58.2%, reaching PKR 49.0bn in 2025.

Operational shifts were also evident in the sector's earnings and reach. The net interest margin improved from 13.9% to 15.6%, and the cost-to-income ratio saw a healthy decline from 89.8% to 70.6%. However, the microfinance banks remained loss-making, reporting a aggregate net loss of PKR 2.1bn in 2025. The total number of clients decreased from approximately 9.28 million to 8.34 million, individual lending continued to dominate the portfolio, accounting for 98 .8% in 2025.

PROFITABILITY

During CY25, despite the policy rate declining from 13.0% in Dec-24 to 10.5% in Dec-25, PMIC's net markup income remained resilient, posting PKR 2.1bn (CY24: PKR 2.5bn). Operating expenses rose moderately to PKR 642.3mn (CY24: PKR 612.4mn) consistent with inflationary trends. Impairment charges and one-off restructuring charges totaled PKR 400.4mn (CY24: PKR 707.7mn). Additionally, other income increased to PKR 163mn (CY24: PKR 63.2mn), resulting in a net profit of PKR 783.0mn (CY24: PKR 704.4mn).

Financial Risk

ASSET QUALITY

PMIC's underlying asset net growth trajectory remained positive in CY25 after adjusting for prior-period arbitrage-driven positions. The reduction in asset base primarily reflects the unwinding of short-term, low-yield government securities that were funded through temporary borrowings, rather than a slowdown in core operations. Going forward, management is planning to grow the financing book by about ~20%, supported by expanded outreach to underserved regions and new partner MFIs.

The credit portfolio is distributed across 28 institutions. As of Dec'25, 63.2% of the portfolio is concentrated among five clients having at least BBB and above external credit ratings. Islamic financing has significantly grew to PKR 515m with new agreements through Shariah-compliant modes. By Dec'25, disbursements were largely directed to Services (33.6%), Trade (28.3%), Livestock & Poultry (17.3%), and Manufacturing (10.9%) sectors, while geographically concentrated in the provinces of Punjab and Sindh.

Table 1: Asset Mix (All figures in PKR Billions, unless stated otherwise)

	CY24	CY25

Cash and Cash Balances	1.0	1.9
	0.5%	2.2%
Derivative Financial Instrument	0.5	0.4
	0.2%	0.5%
Markup Accrued Receivable	5.4	2.4
	2.8%	2.7%
Financing Portfolio	30.2	35.0
	15.7%	39.2%
Investments	152.2	45.0
	79.2%	50.4%
Other Assets	2.8	4.6
	1.4%	5.1%
Total Assets	**192.0**	**89.3**

Asset quality remained sound in CY25, with NPLs at PKR 258.7m (CY24: PKR 481.2m). Financing to Abhi Microfinance Bank Limited was restructured in 2025, with PKR 220m transferring from non-performing to under-performing asset. Overall infection ratios remain minimal, supported by active partner engagement and timely risk-mitigation measures. While concentration 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 is well managed due to a conservative portfolio composition, largely concentrated in sovereign instruments with an average duration of less than one year. The investment approach prioritizes capital protection, maintains a short-term horizon, and focuses on engagements with highly rated counterparties, thereby mitigating exposure to interest rate fluctuations.

LIQUIDITY

PMIC's liquidity position is underpinned by a sizeable funding base of PKR 26.7bn (Dec'24: PKR 20.1bn) as of Dec'25, largely sourced from financial institutions. Although rollover risk persists, it is mitigated by prudent asset-liability management, including effective cash flow alignment, consistent client repayments, and support in the form of subordinated loans from institutional sponsors.

Significant investments in government securities, along with access to undrawn banking lines, reflect adequate liquidity buffers and the ability to address potential funding gaps. Continued backing from sponsors further strengthens access to competitively priced funding.

LEVERAGE

As of Dec'25, total borrowings reached PKR 27.0bn, largely comprising of long-term commercial bank facilities and SBP credit lines. Moreover, PMIC's equity stood at PKR 10.4bn, supplemented by subordinated loans of PKR 8.3bn (CY24: PKR 8.1bn). During the year, sponsors extended fresh support of PKR 1.6bn. Leverage remained stable at 3.3x, a moderate level for a wholesale microfinance lender. Going forward, PMIC aims to strengthen financial resilience by diversifying funding through long- and short-term capital market instruments and further supported by sponsor-backed equity to drive growth.

Financial Summary — Appendix I

Balance Sheet (PKR Millions)	Dec'23	Dec'24	Dec'25
Gross Advances	29,082.9	31,835.7	36,758.8
Net Advances (Inc Current Portion)	27,707.3	30,167.1	34,959.1
Total Investments	1,830.0	152,162.1	44,995.1
Cash and Bank Balances	223.4	994.5	1,941.3
Other Assets	5,430.4	8,685.6	7,384.3
Total Assets	35,191.2	192,009.3	89,279.8
Subordinated Loans (Inc. Current Portion)	9,144.8	8,133.4	8,302.4
Short-term Borrowings	499.9	149,965.0	44,685.9
Loans and Borrowings (Inc. Current Portion and Lease)	15,302.7	20,209.5	24,353.8
Total Liabilities	26,386.3	182,509.2	78,856.0
Paid-Up Capital	5,884.2	5,884.2	5,884.2
Net Worth (Exc. Surplus on Reval.)	8,804.9	9,500.1	10,423.8

Income Statement (PKR Millions)	CY23	CY24	CY25
Net Mark-up Income	2,182.5	2,453.2	2,061.2
Net Provisioning / (Reversal)	(554.8)	(707.7)	(143.9)
Non-Markup Income	374.7	49.0	126.4
Operating Expenses	(555.7)	(612.4)	(642.3)
Profit Before Tax	1,446.7	1,182.0	1,144.9
Profit After Tax	894.7	704.4	783.0

Ratio Analysis	Dec'23	Dec'24	Dec'25
Gross Infection (%)	0.9%	1.5%	0.7%
Net Infection (%)	0.0%	0.0%	0.0%
Stage 3 Provisioning Coverage (%)	97.1%	100.0%	100.0%
Stage 1 & 2 Provisioning Coverage (%)	3.9%	3.8%	4.2%
Net NPLs to Tier-1 Capital (%) (adj. for general prov.)	0.1%	0.0%	0.0%
Spreads* (%)	-1.8%	1.7%	1.2%
Efficiency (%)	6.6%	5.8%	8.9%
ROAA* (%)	2.3%	1.90%	1.8%
ROAE* (%) (Exc. Surplus on Reval.)	10.7%	7.6%	7.9%
Leverage (x)**	2.9	3.4	3.3

**Annualized*

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

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
17-April- 2026		A1+		Final
09-April-2026		A1+(plim)		Preliminary

Instrument Structure

Instrument Name	Commercial Paper (CP) -2
Nature of Instrument	CP
Tenure of Instrument	6 months
Size of the Issue	PKR 3.0 billion
Profit Rate	3 KIBOR + 50 bps p.a
Principle Redemption Schedule	Bullet
Interest Redemption Schedule	Bullet
Issue Date	April 10, 2026
Grace Period	N/A
Redemption Date	October 07, 2026
Nature of Security	Unsecured
Rating	A1+
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.
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Due Diligence Meeting Conducted

Name	Designation	Date
Mr. Bilal Razzaq	Head Corporate Finance & Investment` Banking	02-April-2026