



The Pakistan Credit Rating Agency Limited

Rating Report

ASA Microfinance Bank (Pakistan) Limited

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Rating History

Dissemination Date	Rating	Outlook	Action	Rating Watch
17-Mar-2026	SIP2	Positive	Maintain	-
17-Mar-2025	SIP2	Positive	Maintain	-
17-Mar-2024	SIP2	Positive	Maintain	-
17-Mar-2023	SIP2	Stable	Initial	-

Rating Rationale

Factor	Comment
Ownership/Members	A wholly owned subsidiary of ASA International (ASAI), ASA MFB (Pakistan) Limited was incorporated under the Microfinance Institutions Ordinance, 2001. With ASAI holding 99.99% ownership, the bank leverages a 13 country global footprint to drive financial inclusion and economic empowerment.
Governance	The board comprises seven members including two independent and four non executive directors, alongside the CEO reflecting a sound and well balanced governance framework.
Management	Led by a highly skilled senior management team, ASA MFB maintains a well established organizational structure focused on operational excellence. This leadership stability, evidenced by minimal senior level turnover, ensures strategic coherence, sustainable growth, and long term institutional resilience.
Social Impact	ASA MFB mission clearly defines its target market and strategic trajectory. To ensure alignment, senior management committees oversee social impact enhancements, while a dedicated sustainability unit reinforces the bank's commitment to long term institutional health.
Business Sustainability	By December 2025, ASA MFB Outstanding Loan Portfolio (OLP) reached approximately USD 118 million, maintaining an impressive 0.4% PAR > 30. This scale is supported by 405 business locations serving 741,000 clients.
Financial Sustainability	As of December 2025, ASA MFB equity base reached approximately PKR 10,255 million (2024: PKR 10,240 million), supported by a Capital Adequacy Ratio (CAR) of 22.22%. This capital buffer, combined with a 0.4% PAR > 30, underscores the bank's asset quality and long term fiscal resilience.

Key Rating Drivers

ASA MFB social mandate is deeply integrated into its credit profile, with approximately 713,000 female borrowers constituting 96% of outreach. The bank rural penetration exceeding 222,000 clients and near 90% retention demonstrate durable franchise value. A dedicated sustainability unit and Board approved policies ensure mission alignment, while transparent grievance mechanisms mitigate regulatory and reputational risks. The 0.4% PAR > 30 reflects sound underwriting standards protecting vulnerable segments. This social focus, supported by 22.22% CAR and PKR 10.3 billion equity, entrenches stability amid macroeconomic pressures on low income households.

Disclosure

Name of Rated Entity	ASA Microfinance Bank (Pakistan) Limited
Type of Relationship	Solicited
Purpose of the Rating	Social Impact and Performance Rating
Applicable Criteria	Assessment Framework Social Impact and Performance Rating(Sep-25)
Related Research	Sector Study Microfinance(Oct-25)
Rating Analysts	Usama Ali usama.ali@pacra.com +92-42-35869504

Ownership/Members

Structure The ASA Microfinance Bank (Pakistan) Limited ("ASA" or "MFB" or "Company") is wholly owned by ASA International Holding, headquartered in Mauritius. ASA International maintains a diversified international footprint across South Asia, Southeast Asia, West Africa, and East Africa, reflecting strong geographic diversification. Overall, the Group operates in 13 countries, supporting operational scale, knowledge sharing, and institutional stability across its microfinance network.

Acumen The Group ranks among the world's leading international microfinance institutions, delivering small, socially responsible financial services to low-income entrepreneurs across Asia and Africa. Its operations primarily focus on empowering underserved communities; particularly women, by promoting financial inclusion, income generation, and sustainable economic development through responsible lending practices.

Financial Strength ASA International demonstrated solid financial strength as of June 2025, reflected in strong profitability and sustained expansion in lending operations. The Group reported a net profit of USD 26.8mln, supported by growth in its loan portfolio, with Gross OLP reaching USD 540.9mln (Net OLP: USD 527.4mln). Asset quality remained sound, evidenced by a low PAR>30 days of 2%, indicating effective credit risk management. Operational outreach also strengthened, with the client base expanding to 2.6mln.

Governance

Board Structure The Board comprises eight members, chaired by Rob Keijers, a Non-Executive Director. The Chair provides strategic oversight across key board committees, including HR, Risk, and IT. Ahmed Naazer Minhaj has served as President & CEO since August 2025. The Board composition is well-balanced, featuring three Independent Directors, four Non-Executive Directors, and the CEO, ensuring strong checks and balances.

Board Profile The Board brings together seasoned professionals with deep expertise spanning banking, microfinance, investment banking, law, accounting, and entrepreneurship. Key members include Rob Keijers (Chairman; banking professional), Dirk Brouwer (investment banking/microfinance), Hameed Been Sayed (senior banker), Benjamin Raphael (law/microfinance), Sacha John Arshad (chartered accountant), Asif Yasin Malik (entrepreneurial and military background), Imran Sheikh (veteran banker), and Ahmed Naazer Minhaj (President/CEO). Collectively, the Board members contribute approximately 19 to 46 years of professional experience each, providing formidable governance and strategic oversight.

Board Effectiveness The MFB has established three core Board-level committees: the Audit Committee, Human Resource & Remuneration Committee, and Risk Management Committee. Crucially, each committee is chaired by an Independent Director, reinforcing rigorous governance oversight and ensuring clear independence from management.

Transparency EY Ford Rhodes Chartered Accountants are the external auditors of the company. They have expressed an unqualified opinion on the financial statements. The firm is in the A Category of SBP's panel of auditors. Furthermore, the Company also has an internal audit department for a greater control framework.

Management

Organizational Structure The MFB maintains a well-defined and streamlined organizational structure supporting efficient oversight and operational effectiveness. The Social Impact function has been integrated with Human Resources and Organizational Development (OD), and together with the IT and Social Performance departments, now reports to the CEO, enhancing coordination across key support functions. All remaining departments also report directly to the CEO, ensuring clear reporting lines, while the Internal Audit Department preserves governance independence through its direct reporting to the Board Audit Committee.

Management Team The Management Team is led by Mr. Ahmed Naazer Minhaj, President and CEO of the MFB, who assumed the role in August 2025. He brings over 15 years of diverse professional experience across banking, financial inclusion, digital payments, FMCG, and retail sectors, including prior leadership roles. He is supported by an experienced senior management team comprising functional heads overseeing Administration & General Services, Business, Operations, Human Resources & Organizational Development, Information Technology, Internal Audit, Compliance, Risk Management, Legal & Special Assignments, and Treasury functions.

Management Effectiveness The MFB has established a comprehensive committee framework at the senior management level to support effective decision-making, risk oversight, and operational governance. Key committees include the Management Committee, Information Technology Steering Committee, Compliance Committee, Credit Operations Committee, Client Complaint Resolution Committee, and Corporate Social Responsibility Committee. These forums facilitate structured monitoring of strategic, operational, compliance, and customer-centric matters, thereby strengthening management effectiveness and institutional accountability.

Risk Management Framework The MFB has a well-structured risk management framework supported by dedicated Risk Management and Compliance departments that conduct regular and unannounced branch visits to assess a wide range of risk and compliance parameters. At the Board level, a Risk Management Committee (RMC) oversees the organization's risk profile, guided by clearly defined Terms of Reference (TORs).

Technology Infrastructure ASA utilizes software sourced from ASA International, enabling real-time report generation and monitoring. However, the loan disbursement and collection processes remain fully manual and are primarily conducted through cash transactions, indicating potential areas for operational efficiency improvements and digital integration.

Social Impact

Social Performance Management System ASA-MFB has a Board-approved Green Banking and Corporate Social Responsibility Policy in place. The Sustainability Unit is responsible for preparing various reports related to social performance, including the Social Performance Dashboard, Client Satisfaction Survey (CSS), Client Economic Yield Survey (CEY Survey), SPI, and other regulatory reports. Additionally, ASA-MFB undertakes green banking and CSR initiatives throughout the year, ensuring continuous engagement in sustainable practices and community development.

Client Protection & Social Responsibility ASA-MFB is committed to maintaining transparency across all customer interactions and offers multiple channels for lodging complaints. Grievances are systematically reported to the Board and the regulator on a quarterly basis, in accordance with a Board-approved Client Complaint Policy. The establishment of the Consumer Protection and Service Quality Unit has further enhanced ASA-MFB's client protection framework, ensuring alignment with regulatory requirements.

Outreach ASA-MFB has approximately 713,301 female borrowers and 222,135 rural borrowers as of the end of December 2025, demonstrating its commitment to providing financial services to the underbanked population in the country. The bank acquires 140,856 new borrowers during the period, & maintains a client retention ratio of ~90%.

Quality Of Services ASA-MFB is committed to delivering high-quality financial services through its core microfinance products, which are designed to address specific financial needs. To continuously improve customer experience and support business growth, the organization conducts regular training and awareness sessions focused on best business practices and environmental sustainability.

Business Sustainability

Operating Environment In CY25, Pakistan's microfinance industry sustained growth amid ongoing economic challenges and elevated credit risk. Borrower outreach and portfolio size continued to expand, though growth remained moderate as institutions adopted a cautious approach. Asset quality pressures persisted, with non-performing loans increasing, particularly within microfinance banks. Deposit growth also moderated, reflecting tighter customer liquidity, while overall sector liquidity remained sufficient. Lending activity continued to focus on micro-enterprises, livestock, and agriculture, alongside a gradual rise in consumer financing. A notable development during the year was the further decline in interest rates, providing some relief to borrowers and easing repayment burdens. Despite these challenges, the industry continued to play a crucial role in promoting financial inclusion and supporting low-income communities.

Sustainability The MFB sustains its operations by focusing on financial inclusion and responsible growth, primarily serving female borrowers (~96%) and rural communities (~58%). The Bank is also undertaking environmental initiatives, including solar installations across ~83% of branches to reduce energy costs and carbon footprint, while GHG reporting is underway to strengthen environmental monitoring.

Strategy ASA-MFB is strategically integrating advanced technologies to optimize operational efficiency and streamline processes. The bank stands fully prepared to initiate deposit-taking services and is currently awaiting from the State Bank of Pakistan, a pivotal step toward expanding its financial offerings and deepening customer relationships.

Financial Sustainability

Asset Quality As of December 31, 2025, the MFB reported total assets of approximately PKR 43 billion, against total liabilities of approximately PKR 32 billion. This strong capital base provides ample capacity to support ongoing operations and absorb potential shocks, underscoring the institution's financial resilience.

Liquidity & Funding The Company's funding profile has shifted markedly toward domestic sources, reducing reliance on foreign borrowings and associated exchange rate exposure. Remaining currency risks are actively managed through hedging instruments. The pending activation of deposit-taking services, awaiting regulatory inspection, will further diversify the funding base, deepen customer relationships, and substantially strengthen liability franchise.

Capitalization The MFB's equity base stood at approximately ~PKR 10.255bln at end Dec '25, slightly up from ~PKR 10.249bln at end Dec '24. The current equity level provides adequate capitalization to support ongoing operations and absorb potential credit and operational risks, reflecting a stable capital position relative to the bank's portfolio size and risk profile.

THE PAKISTAN CREDIT RATING AGENCY
FINANCIAL SUMMARY
MFB
PRIVATE LIMITED COMPANY



PKR MLN
Dec-25
CY25
12M
Management

PKR MLN
Dec-24
CY24
12M
Audited

PKR MLN
Dec-23
CY23
12M
Audited

BALANCE SHEET

A ASSETS

1 MICROCREDIT - NET LOAN PORTFOLIO	32,860	24,820	18,804
2 INVESTMENTS	600	-	-
3 CASH	5,944	2,551	122
4 NON-CURRENT ASSETS	1,071	1,061	489
5 OTHER ASSETS	2,749	2,394	1,961
SUM OF ASSETS	43,225	30,826	21,376

B LIABILITIES

1 DEPOSITS	-	-	-
2 BORROWINGS	28,231	13,841	9,200
3 OTHER LIABILITIES	4,739	6,744	2,178
SUM OF LIABILITIES	32,970	20,585	11,378

C EQUITY/FUNDS

	10,255	10,241	9,998
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INCOME STATEMENT

D INCOME

1 MARK UP EARNED	15,118	12,499	4,416
2 MARK UP EXPENSED	(2,787)	(2,643)	(1,173)
FINANCIAL RETURNS	12,330	9,856	3,243
3 OTHER OPERATING INCOME	(10)	8	578
4 NON-OPERATING INCOME	-	-	7
TOTAL INCOME	12,321	9,865	3,828

E EXPENSE

1 OPERATING EXPENSE	(5,393)	(4,271)	(1,275)
2 PROVISIONS	(235)	(225)	(325)
TOTAL EXPENSE	(5,628)	(4,495)	(1,600)

F PROFIT/SURPLUS

1 PRE-TAX PROFIT/SURPLUS	6,693	5,370	2,228
2 TAX	(2,920)	(2,156)	(810)
PROFIT/SURPLUS	3,773	3,214	1,418

RATIOS

G SOCIO-ECONOMIC STATISTICS

1 Female Borrowers	96.3%	95.8%	95.8%
2 Rural Borrowers	30.0%	51.3%	38.7%
3 Client Retention Rate	52.8%	92.3%	99.0%

H PERFORMANCE

1 Operational Self Sufficiency (OSS)	179.5%	175.2%	180.1%
2 Cost per Borrower	7,688	6,723	2,097
3 Portfolio Yield	51.6%	54.7%	23.9%
4 Minimum Lending Rate	28.4%	31.6%	14.6%
5 Return on Equity	N/A	N/A	16.0%

I ASSET QUALITY

1 PAR 30 Ratio	0.0%	0.0%	0.3%
2 Risk Coverage Ratio (PAR 30)	N/A	N/A	1.5
3 Write Off Ratio	N/A	N/A	1.2%

J LIQUIDITY & FUNDING

1 Liquid Assets as a Percentage of Deposits & Short-term Borrowings	N/A	N/A	1.4%
2 Demand Deposit Coverage Ratio	N/A	N/A	N/A
3 Loan-to-Deposit Ratio	N/A	N/A	N/A

K CAPITALIZATION

1 Capital Adequacy Ratio (CAR)	22.9%	30.2%	40.1%
2 Debt to Equity	3.2	2.0	1.1

SOCIAL IMPACT AND PERFORMANCE RATING (SIP)

An independent opinion on the ability of an entity to create intended social impact and achieve sustainable performance.

Scale	Long-Term Rating
SIP1	Very Strong. Very strong ability to create intended social impact and very high likelihood of sustaining performance.
SIP2++ SIP2+ SIP2	Strong. Strong ability to create intended social impact and high likelihood of sustaining performance.
SIP3++ SIP3+ SIP3	Adequate. Adequate ability to create intended social impact and adequate likelihood of sustaining performance.
SIP4++ SIP4+ SIP4	Inadequate. Inadequate ability to create intended social impact and low likelihood of sustaining performance.
SIP5	Weak. Weak ability to create intended social impact and very low likelihood of sustaining performance.

Rating Modifiers | Rating Actions

<p>Outlook (Stable, Positive, Negative, Developing)</p> <p>Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch</p> <p>Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p>Suspension</p> <p>It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn</p> <p>A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization</p> <p>A change in rating due to revision in applicable methodology or underlying scale.</p>
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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
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- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
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- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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