



The Pakistan Credit Rating Agency Limited

Rating Report

Parwaaz Financial Services Limited - PPTFC - PKR 1bln - Mar-25

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Rating History

| Dissemination Date | Long Term Rating | Short Term Rating | Outlook | Action | Rating Watch |
|--------------------|------------------|-------------------|---------|-------------|--------------|
| 19-Jun-2025 | AA- | - | Stable | Initial | - |
| 22-Oct-2024 | AA- | - | Stable | Preliminary | - |

Rating Rationale and Key Rating Drivers

Parwaaz Financial Services Limited (PFSL or "the Company") is a non-banking financial institution and a wholly owned subsidiary of Karandaaz Pakistan Limited (KRN). The Company is primarily engaged in addressing the credit requirements of Small and Medium Enterprises (SMEs), as defined by the International Finance Corporation (IFC). PFSL's operations are framed within a clearly articulated governance structure, supported by a professional management team and a comprehensive risk management policy framework. This framework encompasses defined procedures for risk identification, assessment, and mitigation, forming the backbone of the Company's credit operations. As of CY24 PFSL maintains an asset base of ~PKR 3.5bln (CY23: ~PKR 1.8bln), reflecting the Company's progress in expanding its financing portfolio within the SME segment. A notable development during the period is the issuance of PFSL's inaugural Green Bond. The proceeds from this instrument are earmarked solely for projects that align with sustainability-focused projects, including renewable energy, energy efficiency, clean transportation, sustainable agriculture, and pollution prevention & control. To support the Green Bond issuance, the Company has developed a Green Bond Framework that aligns with the Securities and Exchange Commission of Pakistan's (SECP) Green Bond Guidelines and the Green Bond Principles issued by the International Capital Market Association (ICMA). This framework has undergone third-party validation and certification by PET Nature (Pvt.) Ltd., adding a layer of external oversight. The Company has also constituted a Green Bond Committee tasked with ensuring that all funded projects adhere to eligibility criteria in line with PFSL's Environmental and Social Governance (ESG) Policy. The committee will oversee project selection, fund allocation, and ongoing monitoring. Transparency and accountability are integral to the Green Bond initiative. PFSL has committed to disclosing key performance indicators related to the allocation and impact of proceeds. The Company has engaged an independent auditor to conduct periodic reviews of fund utilization, reinforcing its governance and disclosure commitments. The credit rating assigned to PFSL's Green Bond incorporates several factors: the Company's institutional governance standards, its internal controls around risk management, and the structural safeguards established specifically for the bond issuance. These include the creation of dedicated oversight mechanisms and external validation of its sustainability framework.

The rating depends on PFSL's continued ability to achieve its strategic objectives while maintaining sound asset quality and adhering to regulatory and internal risk management frameworks. Compliance with SECP guidelines and external audit reviews remains crucial.

Disclosure

| | |
|------------------------------|---|
| Name of Rated Entity | Parwaaz Financial Services Limited - PPTFC - PKR 1bln - Mar-25 |
| Type of Relationship | Solicited |
| Purpose of the Rating | Debt Instrument Rating |
| Applicable Criteria | Methodology Corporate Rating(Jul-24),Methodology Debt Instrument Rating(Oct-24) |
| Related Research | Sector Study Non-Banking Finance Companies(May-25) |
| Rating Analysts | Sohail Ahmed Qureshi sohail.ahmed@pacra.com +92-42-35869504 |



Issuer Profile

Profile Parwaaz Financial Services Limited ("PFSL" or "the Company") was incorporated on December 23, 2020, under the Companies Act 2017. The Company obtained its license to provide Investment Finance Services as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) on June 22, 2021. PFSL is a wholly owned subsidiary of Karandaaz Pakistan Limited ("KRN") and is mandated to deliver financing solutions that promote the growth and financial inclusion of Micro, Small and Medium Enterprises (SMEs) qualified as such under the International Finance Corporation's (IFC) definition. The Company commenced operations in 2022, offering both short-term and long-term credit facilities to SMEs across various sectors, particularly agricultural and industrial value chains, health, education, and renewable energy. Additionally, the Company finances SMEs through programs developed and managed by KRN in its capacity as the sponsor. As of 30th September, 2024, the Company's Gross Loan Portfolio was recorded at PKR 3,109 mln comprising 64 customers.

Ownership The Company is a wholly owned subsidiary of Karandaaz Pakistan Ltd. (KRN), which holds a 99.99% stake in PFSL, with the remaining minority shares held by individual investors. The ownership structure is considered stable, considering that the majority stake is held by the parent entity. However, the sponsor may add another party going forward to further strengthen the equity base of the Company. The strong business acumen of the sponsors is demonstrated by their presence in the related industry since 2014, making substantial investments across multiple sectors reflecting a strong business profile and relevant experience. As of June 2023, KRN reported an asset base of ~PKR 33 billion with no leverage. KRN has also strategic investments in several entities. Furthermore, the presence of the Foreign Commonwealth & Development Office, UK (FCDO), and the Bill and Melinda Gates Foundation (BMGF) as founding partners enhances the sponsor's financial strength.

Governance The Company boasts a robust governance structure. The Board of Directors, consisting of seven members—two independent directors, including the Chairman; four nominee directors, one of whom is female; and one executive director (the CEO)—demonstrates adherence to the principles outlined in the Code of Corporate Governance. All board members are seasoned professionals with extensive experience in relevant fields. Notably, Mr. Nouman Asrar, the Chairman, brings over three decades of experience in credit, corporate, and investment banking. The independent directors are also highly regarded for their substantial expertise and industry exposure. The board maintains oversight through four committees: Human Resource Committee, Risk Management Committee, Information Technology Committee, and Audit Committee. These committees enhance the board's effectiveness in overseeing the management's performance and guiding the overall direction of the company. The board and its committees are conducted at regular intervals with a predefined agenda, and meeting points are appropriately documented and communicated to the relevant stakeholders. The financial transparency of the Company is supported by the presence of A. F. Ferguson & Co. as the external auditors of the Company, who are among the Big Four and are listed in Category A on the State Bank of Pakistan's panel of auditors. They have issued an unqualified opinion on the Company's financial statements for the year ended December 2023.

Management The Company has a well-defined organizational structure with six functional departments: (i) Business, (ii) Risk & Compliance, (iii) IT, (iv) HR & Admin, (v) Finance & Secretariat, and (vi) Digital Services. All functional heads report directly to the CEO. Each department features a multi-layered management hierarchy, facilitating smooth operations. All the key positions are filled with a competent and experienced management team with diverse expertise in their respective fields. Mr. Javed Iqbal, the CEO, has over three decades of experience in investment, corporate, commercial, and SME banking. He is supported by a seasoned senior management team including Mr. Atif Kausar, the Chief Risk and Compliance Officer, a Master's degree holder in Business Administration and possesses ~29 years of banking experience across various domains including risk management, credit evaluation, and financial control. Furthermore, Mr. Bilal Mohyuddin, the CFO, is a qualified chartered accountant with over 2 decades of experience in audit and financial services sector. PFSL has established three management committees. These committees, along with clearly defined roles and responsibilities within an optimized structure, enhance the efficiency of operational decision-making by bridging inter-departmental gaps and ensuring alignment with strategic goals. The company utilizes an in-house Management Information System (MIS) named Cascade for digitizing the Loan Origination and Management System.

Business Risk The business environment in the country has remained challenging, with government measures for economic stabilization influencing overall business sentiment. Investment finance companies continue to face intense competition; however, there is a notable gap in the SME financing market. An estimated 5.2 million SMEs operate across the formal and informal sectors, representing about 90% of private businesses. This sector employs ~30% of the workforce and contributes approximately 40% to the annual GDP. As of December 2023, outstanding loans to SMEs were recorded at PKR 542.5 billion, extended to around 172,300 active borrowers. PFSL is a relatively new player in this market, which being equipped with necessary skill set and risk mitigation strategies to respond effectively is well positioned to sustainably strengthen its position within this niche market. Over this short span of time, PFSL has built a significant loan portfolio exceeding PKR 3.1bln, with negligible non-performing loans (NPLs), reflecting the company's growing footprint. PFSL's revenue grew by ~188% during CY 2023, reaching PKR 674mln, up from PKR 234mln in 2022. Markup on advances and investments forms the main source of total income. In 3QCY24, the company recorded a revenue of PKR 541mln, with the markup on advances contributing ~52% to the topline, driven by an expansion in the loan portfolio. The company's profit after tax (PAT) grew by ~19% in 2023, amounting to PKR 87mln compared to PKR 73mln in 2022. Due to inflation and an increase in human resources, personnel costs surged by about 66%, reaching PKR 138 million, up from PKR 83 million in 2022. PFSL has secured funding from its parent to meet its capital needs, which has supported sustained earnings. The company's future business plan indicates a focus on sustainable growth by expanding loan resources while adopting a cautious approach to lending to maintain asset quality. Additionally, PFSL is in the process of introducing digital services into the lending process through the digitization of its end-to-end processes. Moreover, the sustainability of the Company and its operations is ensured by a comprehensive risk management policy, approved by the board, which is augmented by an internally developed Obligor Risk Rating (ORR) Model, which features a clearly defined master segmentation alongside various qualitative and quantitative assessment criteria. Additionally, it is recommended that the validation of the ORR Model should be done to further enhance its efficacy and transparency.

Financial Risk PFSL has implemented a comprehensive credit management policy that includes guides for limiting group and sector exposures. The company features a dedicated risk management function that assesses the security of financing proposals and ensures that all necessary documentation and securities are in place and aligned with its credit extension policy. PFSL faces market risk primarily due to fluctuations in interest rates, which can impact its debt obligations and loan receivables. Competing with financial institutions and banks in the SME financing space exposes the company to risks associated with competitive pricing dynamics for customer acquisition and retention. The primary funding source for PFSL includes equity and a subordinated loan from its parent company at below-market rates (KIBOR -2%), which has reduced the company's finance costs and supported its profitability. In 2023, the sponsors intend to convert this subordinated loan of ~PKR 1.5bln into equity. Nevertheless, securing funding at favorable rates will remain critical to the company's sustainable growth and profitability going forward. As of Sep'2024, the company's equity stood at PKR 1,801 million, with an equity-to-asset ratio of approximately 40.9%. This stable capital structure provides strong support to the company. Additionally, PFSL has a debt-to-equity ratio of 1.4 as of September 2024.

Instrument Rating Considerations

About The Instrument PFSL is set to issue its first privately placed Term Finance Certificate (PPTFC) of PKR 1,000mln (Green Bond) with a tenor of 3 years. The underlying instrument and its framework's compliance with SECP's Green Bond guidelines and International Capital Market Association (ICMA)'s Green Bond Principles has been validated through second party consultation and certification from PET Nature (Pvt.) Ltd.

Relative Seniority/Subordination Of Instrument The claims of the Bond holders will rank superior to the claims of ordinary shareholders.

Credit Enhancement The underlying instrument is secured by a registered hypothecation charge on existing and future books debts and receivables of PFSL with 25% margin. Additionally, an amount equal to 1 (One) Quarter's peak profit installment amount shall be required to be maintained throughout the tenor of the green bond issue as the debt service reserve requirement ("Debt Service Reserve Requirement"). The Debt Service Reserve Requirement will be arranged by Karandaaz Pakistan Limited, through any one or more of the following options:

- (i) cash held in a Debt Service Reserve Account (DSRA) which shall be a profit bearing account of KRN maintained with any "AA" rated financial institution;
- (ii) investment in Certificate of Investment(s) (COIs) by KRN;
- (iii) investment and subscription to Government of Pakistan (GOP) issued securities. The Investment Agent shall have a lien and right of set off over and in respect of the funds in the DSRA / COIs / GOP Securities, equivalent to the Debt Service Reserve Requirement (i.e. 1 quarter's peak profit instalment amount), with such lien being held throughout the tenor of the Green Bond issue.



Parwaaz Financial Services Limited
Unlisted Public Limited

Dec-24 **Dec-23** **Dec-22** **Dec-21**
12M **12M** **12M** **12M**

A BALANCE SHEET

| | | | | |
|-------------------------------|---------------|--------------|--------------|--------------|
| 1 Total Finance-net | 3,577 | 1,843 | 787 | - |
| 2 Investments | 20,803 | 1,645 | 608 | - |
| 3 Other Earning Assets | 254 | 234 | 1,955 | 1,549 |
| 4 Non-Earning Assets | 220 | 145 | 39 | 9 |
| 5 Non-Performing Finances-net | (103) | (43) | (9) | - |
| Total Assets | 24,751 | 3,824 | 3,379 | 1,557 |
| 6 Funding | 22,766 | 1,947 | 1,629 | - |
| 7 Other Liabilities | 166 | 108 | 67 | 15 |
| Total Liabilities | 22,932 | 2,055 | 1,697 | 15 |
| Equity | 1,819 | 1,769 | 1,682 | 1,542 |

B INCOME STATEMENT

| | | | | |
|-----------------------------------|------------|------------|------------|-----------|
| 1 Mark Up Earned | 1,092 | 674 | 234 | 96 |
| 2 Mark Up Expensed | (627) | (299) | (1) | (0) |
| 3 Non Mark Up Income | - | - | - | - |
| Total Income | 465 | 375 | 233 | 96 |
| 4 Non-Mark Up Expenses | (333) | (215) | (119) | (36) |
| 5 Provisions/Write offs/Reversals | (52) | (34) | (10) | - |
| Pre-Tax Profit | 80 | 127 | 105 | 60 |
| 6 Taxes | (28) | (40) | (32) | (18) |
| Profit After Tax | 53 | 87 | 73 | 42 |

C RATIO ANALYSIS

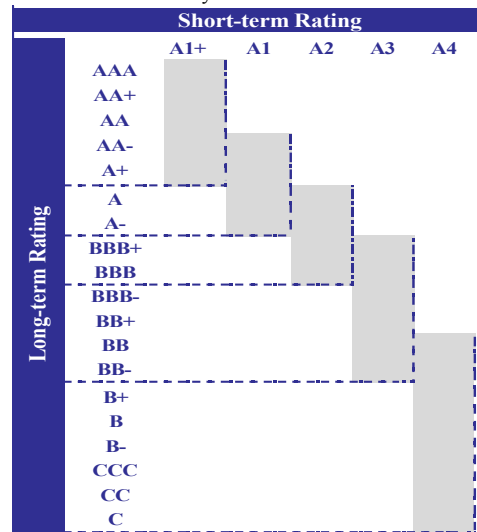
| | | | | |
|--|---------|-------|--------|-------|
| 1 PERFORMANCE | | | | |
| a Non-Mark Up Expenses / Total Income | 71.7% | 57.2% | 51.0% | 37.9% |
| b ROE | 2.9% | 5.0% | 4.5% | 2.7% |
| 2 CREDIT RISK | | | | |
| a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding | 15.3% | 92.5% | 47.7% | N/A |
| b Accumulated Provisions / Non-Performing Advances | 0.0% | 0.0% | 0.0% | N/A |
| 3 FUNDING & LIQUIDITY | | | | |
| a Liquid Assets / Funding | 92.5% | 96.5% | 157.3% | N/A |
| b Borrowings from Banks and Other Financial Institutes / Funding | 89.1% | 0.0% | 0.0% | N/A |
| 4 MARKET RISK | | | | |
| a Investments / Equity | 1143.6% | 93.0% | 36.1% | 0.0% |
| b (Equity Investments + Related Party) / Equity | 0.0% | 0.0% | 0.0% | 0.0% |
| 5 CAPITALIZATION | | | | |
| a Equity / Total Assets (D+E+F) | 7.3% | 46.3% | 49.8% | 99.0% |
| b Capital formation rate (Profit After Tax + Cash Dividend) / Equity | 3.0% | 5.2% | 4.7% | N/A |

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

| Scale | Long-term Rating Definition |
|-------|---|
| AAA | Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments |
| AA+ | Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. |
| AA | |
| AA- | |
| A+ | High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions. |
| A | |
| A- | |
| BBB+ | Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. |
| BBB | |
| BBB- | |
| BB+ | Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met. |
| BB | |
| BB- | |
| B+ | High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment. |
| B | |
| B- | |
| CCC | Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default. |
| CC | |
| C | |
| D | Obligations are currently in default. |

| Scale | Short-term Rating Definition |
|-------|---|
| A1+ | The highest capacity for timely repayment. |
| A1 | A strong capacity for timely repayment. |
| A2 | A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions. |
| A3 | An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions. |
| A4 | The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient. |



*The correlation shown is indicative and, in certain cases, may not hold.

Outlook (Stable, Positive, Negative, Developing) 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'.

Rating Watch 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.

Suspension 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.

Withdrawn 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.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

- a) Broker Entity Rating
- b) Corporate Rating
- c) Debt Instrument Rating
- d) Financial Institution Rating
- e) Holding Company Rating
- f) Independent Power Producer Rating
- g) Microfinance Institution Rating
- h) Non-Banking Finance Companies Rating

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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

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (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).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (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)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (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)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (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)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (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)

Monitoring and review

- (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)

Proprietary Information

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Regulatory and Supplementary Disclosures

| Nature of Instrument | Size of Issue (PKR) | Tenor | Security | Book Value of Assets (PKR mln) | Nature of Assets | Trustee |
|--|---------------------|---|---|--------------------------------|------------------|-------------------------------------|
| Rated, Secured, Privately Placed Term Finance Certificate ("PPTFC" or the "Issue") | PKR 1,000 million | Up to 3 years from the date of Drawdown | <p>1. The Green Bonds will be secured against a registered hypothecation charge on existing and future book debts and receivables of PFSL with a 25% margin.</p> <p>2. An amount equal to 1 (One) Quarter's peak profit installment amount shall be required to be maintained throughout the tenor of the green bond issue as the debt service reserve requirement ("Debt Service Reserve Requirement"). The Debt Service Reserve Requirement will be arranged by Karandaaz Pakistan. "</p> | | Current Assets | Pak Oman Investment Company Limited |

| | |
|-----------------------|------------------------------------|
| Name of Issuer | Parwaaz Financial Services Limited |
| Issue Date | 21 st March, 2025 |
| Maturity | 3-Years from Issue Date |
| Profit Rate | 3MK+ 1% |

Parwaaz Financial Services Limited | PPTFC | Green Bond | Repayment Schedule | Estimated

| Sr. | Due Date Principal/markup | Opening Principal | 3M Kibor | Markup/Profit Rate (3MK + 1%) | Markup/Profit Payment | Principal Payment | Total | Principal Outstanding |
|----------------------|---------------------------|-------------------|----------|-------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| | | PKR | | | | | | |
| Tentative Issue Date | 21-Mar-25 | 1,000,000,000 | | | | - | - | 1,000,000,000 |
| 1 | 21-Jun-25 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | - | 30,750,000 | 1,000,000,000 |
| 2 | 21-Sep-25 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | - | 30,750,000 | 1,000,000,000 |
| 3 | 21-Dec-25 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | - | 30,750,000 | 1,000,000,000 |
| 4 | 21-Mar-26 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | - | 30,750,000 | 1,000,000,000 |
| 5 | 21-Jun-26 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | - | 30,750,000 | 1,000,000,000 |
| 6 | 21-Sep-26 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | - | 30,750,000 | 1,000,000,000 |
| 7 | 21-Dec-26 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | - | 30,750,000 | 1,000,000,000 |
| 8 | 21-Mar-27 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | - | 30,750,000 | 1,000,000,000 |
| 9 | 21-Jun-27 | 1,000,000,000 | 11.3% | 12.3% | 30,750,000 | 250,000,000 | 280,750,000 | 750,000,000 |
| 10 | 21-Sep-27 | 750,000,000 | 11.3% | 12.3% | 23,062,500 | 250,000,000 | 273,062,500 | 500,000,000 |
| 11 | 21-Dec-27 | 500,000,000 | 11.3% | 12.3% | 15,375,000 | 250,000,000 | 265,375,000 | 250,000,000 |
| 12 | 21-Mar-28 | 250,000,000 | 11.3% | 12.3% | 7,687,500 | 250,000,000 | 257,687,500 | - |
| | | | | | 322,875,000 | 1,000,000,000 | 1,322,875,000 | |

Green Bond Framework | Salient Features

Introduction

Parwaaz Financial Services Limited (PFSL) is a Non-Banking Finance Company (NBFC) licensed by the Securities and Exchange Commission of Pakistan (SECP) to provide "Investment Finance Services" (IFS). As a subsidiary of Karandaaz Pakistan Limited (KRN), PFSL is committed to empowering small and medium enterprises (SMEs) in Pakistan by delivering innovative financial solutions that prioritize sustainability and inclusive growth. As of August 31, 2024, the company has built a strong portfolio valued at PKR 2.847 billion, catering to 45 borrowers. In line with the mandate of its sponsors and green bond principles PFSL aims to actively address pressing social and environmental challenges, including climate change, environmental degradation, and the promotion of sustainable development.

According to the Global Climate Risk Index, Pakistan is the fifth most vulnerable country to climate change and has the fourth-worst air pollution globally. These alarming statistics underscore the critical need to prioritize adaptation and resilience initiatives. In response, Parwaaz Financial Services Limited (PFSL) is preparing to launch its inaugural Green Bond, valued at PKR 1,000 million. This initiative aims to stimulate the market and attract investments for climate-related projects in the private sector.

The anticipated Green Bond is expected to be transformative, setting benchmarks for local currency issuances and enhancing impact reporting. To promote transparency, PFSL has developed a comprehensive Green Bond Framework that governs its issuances and reporting processes. This framework aligns with the International Capital Markets Association (ICMA) Green Bond Principles and the Securities and Exchange Commission of Pakistan (SECP) Green Bond Guidelines, ensuring accountability and integrity in its sustainability efforts.

Use Of Proceeds

PFSL shall ensure that the proceeds from the Green Bond are exclusively allocated to finance or refinance environmentally sustainable initiatives and eligible green assets. These initiatives will prioritize key areas, including renewable energy, energy efficiency, clean transportation, sustainable water and wastewater management, and pollution prevention and control. PFSL will provide clear documentation on allocating the bond's proceeds towards Green Projects, ensuring that all eligible projects deliver measurable environmental benefits.

Process for Project Evaluation and Selection

PFSL has formed a Green Bond Committee tasked with overseeing the eligibility, evaluation, and selection of projects funded by the Green Bond proceeds. This committee will ensure that all projects are in line with the Company's Environmental and Social Governance Policy Guidelines and Framework, as well as its Sustainability and Business Strategy. Meetings will be held at least biannually to review progress and make decisions based on a majority vote.

The Green Bond Committee will include the following members:

- Chief Financial Officer
- Chief Risk Officer
- Head of Business
- Climate Finance Expert

In addition, PFSL plans to enhance its team's climate business expertise to ensure compliance with relevant laws and regulations. The Company will monitor its credit portfolio continuously through regular reports from the business unit on borrower performance and project activities. Furthermore, PFSL's sponsor or designated third parties will conduct an independent portfolio assessment.

Management of Proceeds

All the proceeds from the Green Bond will be set aside in a separate account. PFSL may invest the unallocated proceeds in a profit-bearing account with any "AA" rated financial institution or government-issued securities and bonds. Furthermore, PFSL will ensure the appropriate identification of green projects, tracking of proceeds' utilization, and establishing a reconciliation mechanism.

Reporting

PFSL will publish a list of projects that have received or are eligible for funding from the Green Bond proceeds, in accordance with the SECP's Green Bond Guidelines. Public reports on the website will detail various aspects, including the amount of green assets created, sector exposure, details of unutilized proceeds, and the environmental impact of the funded projects. Furthermore, a qualified third party or external auditor will periodically review the reporting and management of proceeds to ensure transparency regarding their utilization.

External Review

PFSL has aligned its Green Bond framework and underlying instruments with the Green Bond Principles (GBP) administered by the International Capital Market Association (ICMA) and the SECP's Green Bond Guidelines. This alignment has been validated through consultations and a second-party opinion from PET Nature (Pvt.) Ltd, which confirms adherence to the established principles and guidelines.