



The Pakistan Credit Rating Agency Limited

Rating Report

ASA Microfinance Bank (Pakistan) Limited (Formerly ASA Pakistan Limited)	Report Contents
	1. Rating Analysis
	2. Financial Information
	3. Rating Scale
	4. Regulatory and Supplementary Disclosure

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

Rating Rationale	Factor	Comment
	Ownership/Members	ASA is a public unlisted company owned by ASA International(ASAI) Holding with an ownership stake of ~99.99%. The ASAI group boasts a diverse global presence with operations currently spanning 13 countries.
	Governance	The Board of Directors consist of seven members, including three independent directors, highlighting a robust governance framework, three non-executive directors representing ASAI, and one executive director - CEO.
	Management	A well-defined organizational structure is in place, supported by experienced management team ensuring smooth operations. Furthermore, turnover among senior management personnel remains notably low.
	Social Impact	ASA's mission statement delineates its target market and operational approach. Additionally, ASA boasts two senior management committees dedicated to ensuring alignment with its mission through enhanced social impact oversight. Further, ASA has formulated a dedicated Consumer Protection Unit, highlighting its continued focus towards consumer protection.
	Business Sustainability	The Company has an Outstanding Loan Portfolio (OLP) amounting to ~USD 90mln at end-Dec'24, which constitutes a market share of ~3.7% as per the OLP of microcredit institutions in the country.
	Financial Sustainability	The Company's equity base stood at ~PKR 10,240mln at end- Dec'24 compared with ~PKR 10,296mln at end-Dec'23. The current level of equity base is considered good.

Key Rating Drivers

ASA Microfinance Bank (Pakistan) Limited ('ASA' or the 'Company') converted into a Microfinance Bank in Nov'23 as a non-deposit lending institution. Consequently, the Company has updated its Core Banking System, following which, it intends to proceed with the conversion into a deposit-taking institution. The Company's mission is to offer microfinance services to underprivileged households in Pakistan, with a focus on financial inclusion and women's empowerment. The positive outlook showcases ASA's active participation in social initiatives, leading to a significant and enduring impact within the community. ASA's dedication to its social goals and proactive measures in this regard will play a pivotal role in determining the assigned rating.

Disclosure	
Name of Rated Entity	ASA Microfinance Bank (Pakistan) Limited (Formerly ASA 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-24)
Related Research	Sector Study Microfinance(Oct-24)
Rating Analysts	Usama Ali usama.ali@pacra.com +92-42-35869504

Ownership/Members

Structure The MFB is 99.99% owned by ASA International Holding, which is based out of Mauritius. ASA International operates in South Asia, South East Asia, West Africa, and East Africa. In total, the Company has a presence in 13 countries.

Acumen The group is one of the world's largest international microfinance institutions providing small, socially responsible loans to low-income entrepreneurs, most of whom are women, across Asia and Africa.

Financial Strength The group has a consolidated asset base of ~USD 520mln and a consolidated equity position of ~USD 81mln at end-Jun'24. ASA International Group PLC is also listed on the London Stock Exchange with a share price of ~£90 on 17th March 2025.

Governance

Board Structure The MFB's Board of Directors (BoD) comprises seven members, which include three independent, three non-executive directors, and the CEO as an executive director. The Board is chaired by Mr. Dirk Machgielis Brouwer, who is the CEO and co-founder of ASA International. The non-executive directors all represent ASA international.

Board Profile Chris Low became Executive Chairman of ASA International Group plc on 1 November 2024, after serving as an INED since February 2023. With over 30 years in financial services, he has expertise in emerging markets, risk management, and digital transformation across Africa, Asia, and the Middle East. Rob Keijssers was appointed Interim CEO on 1 November 2024, having previously served as Chief Digital and Information Officer. With 15+ years in banking and IT, he specializes in digital transformation, post-merger integrations, and business operations.

Board Effectiveness The MFB has formed three committees at the Board level – 1) Audit Committee, 2) Human Resources Committee, and 3) Risk Management Committee. All committees are chaired by an independent director, strengthening the governance oversight.

Transparency EY Ford Rhodes Chartered Accountants are the external auditors of the company. They have expressed an unqualified opinion on the financial statements for CY23. 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-structured and streamlined organizational framework. The Social Impact Department has been merged with HR and Organizational Development (OD), which, along with the IT and Social Performance departments, now reports to the Deputy CEO. All other departments, except for Internal Audit, report directly to the CEO. Upholding governance integrity and independence, the Internal Audit Department continues to report directly to the Board Audit Committee.

Management Team The Management Team is headed by Mr. Saeed Uddin Khan, the CEO of the MFB. He joined as the CEO in 2019. Mr. Saeed brings with him 33 years of diversified and senior management experience in Conventional as well as Islamic Banking in different banks and financial institutions. He holds MBA degree from IBA, Karachi.

Management Effectiveness The MFB has formulated multiple committees at the senior management level – 1) Management Committee, 2) Information Technology Steering Committee, 3) Compliance Committee, 4) Credit Operations Committee, 5) Client Complaint Resolution Committee, and, 6) Corporate Social Responsibility Committee.

Risk Management Framework The MFB has Risk Management and Compliance departments which perform regular 'surprise' visits to branches to assess multiple risk and compliance parameters. Furthermore, there is a Risk Management Committee (RMC) at the Board level while a risk management manual is also present. There are also TORs defined for the RMC.

Technology Infrastructure ASA has software sourced from ASA International which allows for real-time report generation. On the other hand, the loan disbursements and collections process is currently all manual and done through cash transactions.

Social Impact

Social Performance Management System ASA has a Green Banking Policy as well as a Corporate Social Responsibility Policy. The MFB prepares multiple reports related to social performance, including a social performance dashboard, a client satisfaction survey, and a summary of CSR activities done throughout the year. Two Committees are formed at the senior management level related to social performance management – 1) Client Complaint Resolution Committee, and, 2) Corporate Social Responsibility Committee.

Client Protection & Social Responsibility ASA ensures that transparency is present in all its dealings with customers. The MFB's customers can lodge their complaints through emails, phone calls, or in person. The management reports grievances to the board on a quarterly basis and there is a board approved client complaint policy also available.

Outreach The MFB has ~96% female borrowers and ~39% rural borrowers at end-Dec'24, showing their commitment towards providing finances to the underbanked population in the country. The MFB has maintained a client retention ratio of above 99%, depicting the customers' satisfaction with the MFB.

Quality Of Services There is one major product offering of the MFB – microfinance which is broken up into three products that have different limits and target different aspects. Further, the Company also provides regular training for their customers to have them educated on the best practices of businesses.

Business Sustainability

Operating Environment The business environment during CY24 has remained challenging. The high inflation has squeezed the purchasing power of consumers, and the cost of doing business has also increased.

Sustainability The MFB has an Outstanding Loan Portfolio (OLP) amounting to ~USD 90mln at end-Dec'24, which constitutes a market share of ~3.7% as per the OLP of microcredit institutions in the country.

Strategy ASA is focusing on technology integration to streamline its operations and the Company has plans to convert the Company to a microfinance bank shortly, which will have major implications for its business operations.

Financial Sustainability

Asset Quality In CY24, the MFB's write-offs stood at approximately PKR 110 million in December and PKR 134 million in September, reflecting the MFB's proactive approach to credit risk management.

Liquidity & Funding The liabilities of the MFB stood at ~PKR 20,585mln at end-Dec'24. The MFB has a good amount of assets to cover its liabilities, standing at ~PKR 30,826mln at end-Dec'24.

Capitalization The MFB's equity base stood at ~PKR 10,240mln at end-Dec'24 compared with ~PKR 10,296mln at end-Dec'23. The current level of equity base is considered good.



THE PAKISTAN CREDIT RATING AGENCY
FINANCIAL SUMMARY
MFB
PUBLIC LIMITED COMPANY



	Dec-24 CY24 12M Management	Dec-23 CY23 12M Audited	PKR MLN Dec-22 CY22 12M Audited
BALANCE SHEET			
A ASSETS			
1 MICROCREDIT - NET LOAN PORTFOLIO	24,948	18,804	16,177
2 INVESTMENTS	-	-	-
3 CASH	2,551	122	1,857
4 NON-CURRENT ASSETS	1,061	489	240
5 OTHER ASSETS	2,394	1,961	2,419
SUM OF ASSETS	30,954	21,376	20,693
B LIABILITIES			
1 DEPOSITS	-	-	-
2 BORROWINGS	13,840	9,200	11,653
3 OTHER LIABILITIES	6,744	2,178	1,267
SUM OF LIABILITIES	20,585	11,378	12,920
C EQUITY/FUNDS			
	10,241	9,998	7,773
INCOME STATEMENT			
D INCOME			
1 MARK UP EARNED	9,929	4,416	3,315
2 MARK UP EXPENSED	(73)	(1,173)	(761)
FINANCIAL RETURNS	9,856	3,243	2,554
3 OTHER OPERATING INCOME	8	578	(56)
4 NON-OPERATING INCOME	-	7	9
TOTAL INCOME	9,865	3,828	2,507
E EXPENSE			
1 OPERATING EXPENSE	(4,271)	(1,275)	(1,031)
2 PROVISIONS	(225)	(325)	(64)
TOTAL EXPENSE	(4,495)	(1,600)	(1,095)
F PROFIT/SURPLUS			
1 PRE-TAX PROFIT/SURPLUS	5,370	2,228	1,412
2 TAX	(2,156)	(810)	(557)
PROFIT/SURPLUS	3,214	1,418	855
RATIOS			
G SOCIO-ECONOMIC STATISTICS			
1 Female Borrowers	95.8%	95.8%	N/A
2 Rural Borrowers	51.3%	38.7%	N/A
3 Client Retention Rate	92.3%	99.0%	N/A
H PERFORMANCE			
1 Operational Self Sufficiency (OSS)	217.6%	180.1%	175.6%
2 Cost per Borrower	6,723	2,097	N/A
3 Portfolio Yield	54.5%	23.9%	22.8%
4 Minimum Lending Rate	19.8%	14.6%	12.8%
5 Return on Equity	N/A	16.0%	N/A
I ASSET QUALITY			
1 PAR 30 Ratio	0.5%	0.3%	0.3%
2 Risk Coverage Ratio (PAR 30)	0.0	1.5	4.3
3 Write Off Ratio	N/A	1.2%	N/A
J LIQUIDITY & FUNDING			
1 Liquid Assets as a Percentage of Deposits & Short-term Borrowings	N/A	1.4%	N/A
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)	30.2%	40.1%	N/A
2 Debt to Equity	2.0	1.1	1.7

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	Definition
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.

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) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveill the opinion due to lack of requisite information

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

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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)

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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)
- (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)

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