VIS
Credit Rating Company Limited

RATING REPORT

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-Term	Short Term	Long-Term	Short Term
ENTITY	AAA	A1+	AAA	A1+
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	June 03, 2026		April 24, 2025	

Shareholding (5% or More)		Other Information
Ministry of Finance ~ 28.86%		Incorporated in 2015
NBP ~ 14.43%		Public Unlisted Company
United Bank Limited ~ 12.02%	Habib Bank Limited ~ 12.02%	Chief Executive Officer/Managing Director: Raheel Qamar Ahmad
International Finance Corporation ~ 12.02%		External Auditor: KPMG Taseer Hadi & Co. Chartered Accountants
Askari Bank Limited ~ 7.21	Bank Alfalah Limited ~ 7.21	

Applicable Rating Methodology

Applicable Rating Criteria: Government Supported Entities

https://docs.vis.com.pk/docs/Meth-GSEs202007.pdf

Rating Scale

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

Rating Rationale

The ratings assigned to Pakistan Mortgage Refinance Company ('PMRC' or the 'DFI') benefits from strong sovereign ownership and regulatory support, with the Government of Pakistan maintaining majority shareholding and institutional linkages through key public sector stakeholders. These linkages support PMRC's strategic mandate of promoting housing finance and development of the domestic capital market. PMRC maintains a diversified refinancing portfolio, with commercial banks constituting the largest share of exposures. Credit risk remains manageable given the refinancing model, wherein financing is extended with recourse to partner financial institutions. As at end-CY25, PMRC's asset base expanded, supported by higher funding deployed toward investments and advances.

Asset quality indicators of the DFI remained sound, supported low infection ratios and adequate provisioning coverage. The Credit Guarantee Scheme administered by PMRC continues to support low-income housing finance through structured risk-sharing arrangements, facilitating broader participation of financial institutions in mortgage lending. Profitability of the DFI experienced some pressure due to higher funding costs, though supported by improved non-markup income and controlled operating expenses.

PMRC's investment portfolio remains concentrated in government securities, resulting in minimal credit risk exposure, while liquidity indicators of the DFI remained robust, supported by growth in liquid assets and diversified funding sources. Capitalization of the DFI remains a key strength, with capital adequacy indicators maintained well above regulatory requirements despite growth in risk-weighted exposures.

Government-backed housing initiatives, including subsidized housing finance schemes such as Mera Pakistan Mera Ghar, are expected to support growth in mortgage financing and enhance demand across partner financial institutions. Given PMRC's refinancing mandate, continued policy focus on housing finance is expected to provide structural support to PMRC's operational growth.

Going forward, PMRC's ratings will remain sensitive to PMRC's ability to sustain asset quality, maintain profitability amid funding cost pressures, effectively manage the DFI's funding profile, and continue supporting growth in housing finance.

Company Profile

Pakistan Mortgage Refinance Company Limited is an unlisted public limited company incorporated in Pakistan on May 14, 2015, under the Companies Act, 2017. The Company has been notified as a Development Financial Institution (DFI) by the Finance Division of the Government of Pakistan on October 27, 2017. The State Bank of Pakistan (SBP) granted the certificate for commencement of business with effect from June 12, 2018. Moreover, the DFI is also considering an IPO; however, as per management, the initiative is at an early stage. The final structure of the transaction, including the extent of dilution in existing shareholding and the proportion of shares to be offered to the public, has yet to be finalized and remains under discussion with relevant stakeholders and advisors.

The DFI's objectives, inter alia, include promoting, developing, and improving the housing finance market of Pakistan by providing financing facilities to banks and financial institutions against their conventional and Islamic housing finance portfolios and other eligible securities, and promoting the development of capital markets in Pakistan. The Company is also engaged in providing trustee services to the Government-owned Credit Guarantee Schemes for housing finance.

AUDITOR'S OPINION

The CY25 financial statements were audited by A. F. Ferguson & Co. Chartered Accountants, which is a QCR Rated Firm and categorized in 'Category A' on the SBP's Panel of Auditors. The auditor issued an unqualified opinion on the financial statements.

Sponsor Profile

NAME	SHAREHOLDING (In %)	PROFILE
Ministry of Finance	28.86	The Government of Pakistan (GoP) provides strong support through this direct shareholding. PMRC also has close linkages with both SBP and GoP, arising from its role in facilitating home ownership, promoting housing finance, and developing the domestic capital market. PMRC's board has one member from the Ministry of Finance.
National Bank of Pakistan	14.43	NBP is a state-owned commercial bank operating under a government-backed institutional framework, which supports alignment with national financial sector development objectives. The Bank is also included among PMRC's partner financial institutions, facilitating operational collaboration and enabling broader outreach for housing finance solutions through established banking channels. The presence of NBP within the sponsor base strengthens institutional linkages and supports the Company's mandate of promoting housing finance in the country. The Board is chaired by the NBP representative.
International Finance Corporation	12.02	IFC's participation reflects international institutional involvement in the Company and supports its mandate of promoting housing finance and financial inclusion in the country. The presence of a multilateral sponsor contributes to governance oversight, institutional discipline, and alignment with internationally recognized development objectives. IFC's continued involvement strengthens the Company's institutional standing and supports its long-term strategic direction. One member on Board is a representative of IFC.
United Bank Limited	12.02	A key financial institution in Pakistan; with one seat on the BoD.
Habib Bank Limited	12.02	A key financial institution in Pakistan; with one seat on the BoD.
Askari Bank Limited	7.21	A key financial institution in Pakistan; with one seat on the BoD.
Bank Alfalah Limited	7.21	A key financial institution in Pakistan; with one seat on the BoD.

Management and Governance

BOARD OF DIRECTORS OVERVIEW

The Board of Directors (BoD) of PMRC comprises eleven members, including the CEO. During CY25, the Chairman of the Board, Mr. Farrukh Qayyum, stepped down and was subsequently replaced by Mr. Fouad Farrukh, who also represents NBP. Additionally, the representative of Askari Bank Limited resigned during the year, and the position remained vacant as of Dec'25. Moreover, as of May'26 a new CEO took charge.

PMRC operates as an unlisted public sector entity and has been notified as a Development Finance Institution (DFI) by the Finance Division, Government of Pakistan. Under SBP's Corporate Governance Regulatory Framework for DFIs, the DFI is not required to comply with the Listed Companies (Code of Corporate Governance) Regulations issued by the SECP; however, it is expected to maintain sound corporate governance practices. This regulatory dispensation does not exempt the DFI from compliance with the provisions of the Banking Companies Ordinance, 1962.

To further strengthen governance practices, the Board has voluntarily adopted the SECP's Code of Corporate Governance, except for areas governed under the Shareholders' Agreement dated July 2, 2020, including provisions relating to the appointment of directors.

Table 1: Board of Directors

Name	Representation	Category
Mr. Fouad Farrukh	Independent/ National Bank of Pakistan	Non-Executive Director / Chairman
Mr. Risha Mohyeddin	Habib Bank Limited	Non-Executive Director
Mr. Imran Sarwar	United Bank Limited	
Ms. Mehreen Ahmed	Bank Alfalah Limited	
Mr. Shahid Alam Siddiqui (Resigned with effect from December 24, 2025)	Askari Bank Limited	
Mr. Tayyeb Afzal	International Finance Corporation	
Mr. Ahmed Taimoor Nasir	Ministry of Finance	
Ms. Sonia Karim	Independent	Independent Director
Mr. Mubashar Maqbool	Independent	
Mr. Moazzam Iftikhar Ahmed	Independent	
Raheel Qamar Ahmad	PMRC	CEO

BOARD COMMITTEES

The Board operated through four standing committees in CY25 which are the Board Audit Committee (BAC), Board HR Committee (BHRC), Board Risk Committee (BRC), and Board Corporate Governance & Nomination Committee (BCG&NC). In line with best governance practices, BAC and BHRC are chaired by independent directors. A separate Shariah Board is in place, led by Mufti Ehsan Waquar as Chairman and Dr. Mufti Muhammad Yunas Ali as the Resident Shariah Board Member.

CHAIRMAN/CEO PROFILE

Profile of Chairman: Mr. Fouad Farrukh has over 27 years of diversified banking experience. He is currently serving as Senior Executive Vice President at National Bank of Pakistan and heading Aitemaad Islamic Banking Group. He is also serving on Boards of Atlas Power Limited and First National Bank Modaraba. At NBP, he is responsible for growth and development of Islamic banking business and is a member of various management committees and chairs two of them. Prior to joining NBP, he served Faysal Bank Limited for 8 years as Group Head Retail and Islamic Banking. He served HBL in Dubai as Risk Head Gulf and then Country Manager HBL Bahrain. He did his MBA from Lahore University of Management Sciences on Dean's honours list and BS from University of Maryland USA.

Profile of CEO/ Managing Director: Mr. Raheel Qamar Ahmad is a seasoned banking and financial services executive with over 30 years of leadership experience across corporate banking, investment banking, Islamic finance, and financial services management. He has held senior positions at leading institutions such as Standard Chartered Bank, Allied Bank, United Bank Limited, Pak Libya Holding Company, Mashreq Bank, and OLP Modaraba. He is currently a board member of AWT Investments Limited and Professional Education Foundation. He is also an executive committee member of the PBS for Agha Khan University Hospital.

He holds an MBA from the Illinois Institute of Technology, Chicago, and a Bachelor's degree in Mechanical Engineering from University of Engineering & Technology, Lahore. His career reflects strong expertise in corporate finance, structured finance, investment banking, and risk management, with a proven track record of leading large corporate portfolios, building high-performing teams, and executing complex financial transactions.

In addition to his executive roles, Mr. Ahmad has served as Chairman of the Non-Banking Finance and Modaraba Association of Pakistan and as Vice President of the Asian Financial Services Association, playing an active role in advancing the financial sector. He is widely recognized for his strategic insight, governance capabilities, and commitment to sustainable finance, ESG initiatives, Islamic banking, and financial inclusion.

Business Risk

INDUSTRY UPDATE

Housing finance in Pakistan is primarily facilitated through commercial banks and Microfinance Banks (MFBs). As of Dec'25, segment-wise advances of banks indicated that mortgage financing increased by 8.3% to PKR 225.2bn during CY25 (CY24: PKR 207.3bn). Meanwhile, housing finance extended by MFBs declined by 2.8% to PKR 44.8bn (Jun'25: PKR 46.0bn). Despite the gradual increase in mortgage lending, housing finance continues to formulate only ~0.3% of Pakistan's GDP, significantly lower than the 20–30% levels generally observed in developed economies. Structural affordability constraints remain a key impediment to the sector's expansion, as a substantial proportion of household income is allocated towards essential expenditures such as food, utilities, transport, and fuel, thereby limiting disposable income available for long-term mortgage repayments. Persistent inflationary pressures, uncertainty revolving around the interest rates and periodic increases in fuel prices—further exacerbated by geopolitical and regional supply-side uncertainties—have weakened purchasing power and increased the cost of formal financing.

The prevalence of informal housing arrangements and undocumented income structures further constrains mortgage penetration, as a sizeable portion of the population lacks formally verifiable income streams, documented repayment histories, and clear property titles required under conventional mortgage underwriting frameworks. Affordability constraints are further amplified by elevated property prices, which require borrowers to obtain sizeable mortgage loans, while the markup cost on such financing often remains high relative to the rental yield or income-generating capacity of the underlying property. This weakens the economic viability of mortgage financing for borrowers and has limited the pace of mortgage market development in Pakistan. Consequently, commercial banks, operating within relatively conservative risk management and collateral-based lending models, remain cautious toward lower- and middle-income borrowers due to limited availability of reliable consumer credit data, weak borrower documentation, and elevated perceived credit risk. This has contributed to a financing gap whereby households with genuine housing demand, particularly those operating within the informal economy, remain underserved by formal banking channels. In contrast, Microfinance Banks may possess relatively greater operational capacity to serve underserved segments through relationship-based and cash flow-oriented lending methodologies; however, their relatively smaller scale, shorter funding profiles, and limited access to long-term liquidity continue to constrain broader participation in mortgage financing. Overall, the mismatch between rising property prices and household affordability levels, high financing costs relative to rental yields, underdeveloped mortgage infrastructure, and limited depth in consumer credit assessment systems continues to impede the growth trajectory of housing finance in Pakistan.

To support the development of the housing finance sector, the Government of Pakistan and the State Bank of Pakistan (SBP) have introduced several initiatives aimed at improving affordability and increasing access to formal mortgage financing. One of the major initiatives included the Mera Pakistan Mera Ghar (MPMG) scheme, which facilitated subsidized housing finance for first-time homeowners through banks, Islamic banks, MFBs, DFIs, and HBFCL. The scheme provided financing of up to PKR 10.0mn for houses of up to 10 marla and apartments up to 1,500 square feet, with repayment tenors extending up to 20 years and subsidized customer pricing ranging from 3% to 9% for an initial fixed period. Subsequently, the government introduced the Mera Ghar – Mera Ashiana Markup Subsidy and Risk Sharing Scheme, later renamed as the Wazir-e-Azam Apna Ghar Program – Ghar Ho Tu Apna, targeting lower-income segments through financing of up to PKR 3.5mn for housing units of up to 5 marla and apartments up to 1,360 square feet. The scheme offers fixed customer pricing of 5% and 8%, repayment tenor of up to 20 years, and government-backed first-loss risk coverage of 10% for participating financial institutions.

In parallel, the Government of Punjab launched the Apni Chhat Apna Ghar Program, aimed at facilitating approximately 100,000 affordable housing units across Punjab through multiple execution models. The scheme includes subsidized low-cost housing development and interest-free financing of up to PKR 1.5mn for eligible households with repayment tenor of up to 7 years.

ASSET MIX

Table 2: Asset Mix (In PKR Millions)

ASSET MIX	2023	%	2024	%	2025	%
Cash and balances with treasury banks	5.2	0.0%	5.3	0.0%	113.3	0.1%
Balances with other banks	10,651.5	17.6%	1,238.2	1.8%	15,858.2	15.7%
Lending to financial institutions	-	0.0%	3,998.3	5.9%	1,361.0	1.3%
Investments	13,804.7	22.8%	27,396.8	40.1%	42,184.1	41.7%
Advances	34,401.9	56.8%	34,456.1	50.5%	40,365.1	39.9%
Operating fixed assets	117.7	0.2%	89.0	0.1%	107.7	0.1%
Intangible Assets	35.7	0.1%	30.4	0.0%	23.3	0.0%
Deferred tax asset	-	0.0%	-	0.0%	-	0.0%
Other assets	1,542.3	2.5%	1,042.4	1.5%	1,236.0	1.2%
Total Assets	**60,559.1**	**100.0%**	**68,256.5**	**100.0%**	**101,248.7**	**100.0%**

PMRC's asset base exhibited a noteworthy expansion of 48.3%, reaching PKR 101.3bn (CY24: PKR 68.3bn) by end-CY25. This growth was driven by higher borrowings of PKR 62.1bn (CY24: PKR 41.3bn) deployed into the investment portfolio, which rose to PKR 42.2bn (CY24: PKR 27.4bn). Higher funds were also directed towards the advances portfolio, resulting in an increase to PKR 40.4bn (CY24: 34.5bn) as at end CY25. As of end-Dec'25, the asset mix comprised 41.7% (CY24: 40.1%) and 39.9% (CY24: 50.5%) of investments and advances, respectively. The proportion of balances with other banks was 15.7% at end-CY25 (CY24: 1.8%).

CREDIT GUARANTEE SCHEME

The Government of Pakistan (GoP), with PMRC acting as trustee, established a Trust through a formal Trust Deed to provide partial credit guarantees for low-income housing finance, known as the Credit Guarantee Scheme (CGS). The scheme is specifically designed to support portfolios of both conventional and Islamic financial institutions. CGS was launched in two distinct phases, Phase I (Risk Sharing Facility-I or RSF-I) and Phase II (Risk Sharing Facility-II or RSF-II), with Phase II offering enhanced coverage to financial institutions. As of Dec'25, the outstanding balance for RSF-I stood at PKR 24.6bn (CY24: PKR 27.3bn), while RSF-II declined to PKR 12.6bn (CY24: PKR 13.7bn). The structure enhances PMRC's strategic importance within Pakistan's housing finance ecosystem by supporting mortgage penetration among low-income and informal-income borrowers through portfolio-based first-loss risk coverage. In addition to supporting growth in refinancing demand and overall market depth, the arrangement also provides PMRC with fee-based income, whereby the trustee is entitled to 25% of the guarantee premium received under the schemes. Moreover, under the Trust structure, GoP remains the owner of the Trust and has undertaken to provide contingent capital contributions in case of any deficit, subject to the Trust Deed. However, given the scheme's focus on relatively higher-risk and undocumented borrower segments, the guaranteed portfolio remains sensitive to macroeconomic stress, inflationary pressures, and weakening borrower repayment capacity, which may elevate claim frequencies during periods of economic deterioration.

PROFITABILITY

Table 3: Profitability Metrics

PROFITABILITY METRICS	CY22	CY23	CY24	CY25
Spread	**3.1%**	**4.6%**	**5.8%**	**0.9%**

Avg. Return on Markup-Bearing Assets	9.6%	13.1%	14.0%	12.0%
Avg. Markup Cost	6.5%	8.5%	8.3%	11.1%
Efficiency Ratio	**21.2%**	**18.9%**	**18.9%**	**20.7%**
ROAA	**3.0%**	**4.4%**	**4.4%**	**3.3%**
ROAE	**17.2%**	**25.0%**	**23.1%**	**19.9%**

PMRC's markup income increased by 20.3% to PKR 9.7bn (CY24: PKR 8.1bn) during CY25, in line with higher income from investments amounting to PKR 4.0bn (CY24: PKR 2.4bn). However, in line with the general interest rate trend, yield on earning assets declined to 12.0% (CY24: 14.03%). The DFI explored other sources of funding as well; some of them being relatively costly. Consequently, the cost of funding increased to 11.12% (CY24: 8.26%). As a result, net markup income declined by 20.2% to PKR 3.3bn (CY24: PKR 4.1bn) during CY25, while PMRC's spread narrowed to 0.9% (CY24: 5.8%).

Total non-markup income increased to PKR 142.5mn (CY24: PKR 57.6mn), primarily due to higher realized gains on Federal Government Securities amounting to PKR 112.6mn (CY24: PKR 27.3mn). Meanwhile, other income declined to PKR 0.04mn (CY24: PKR 0.4mn). Total operating expenses decreased to PKR 692.2mn (CY24: PKR 731.1mn). Efficiency ratio was slightly weaker at 20.7% (CY24: 18.9%).

Profit before provisions declined to PKR 2.8bn (CY24: PKR 3.4bn). During CY25, PMRC reported a net reversal of PKR 54.3mn, compared to a provisioning expense of PKR 584.0mn in the preceding year. PMRC also benefits from income tax exemption under Clause 57(4) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, as the institution qualifies as a government-backed development finance entity established to support housing finance and mortgage market development in Pakistan. Consequently, profit after taxation remained stable at PKR 2.8bn during CY25, broadly in line with the preceding year.

Financial Risk

CREDIT RISK

The DFI's major disbursements are concentrated in Sindh region (CY25: 62.2%; CY24: 66.3%) followed by Punjab region (CY25: 37.9%; CY24: 34.6%). PMRC's gross advances grew by 16.5% reaching PKR 41.3bn (CY24: PKR 35.4bn) as at CY25 against the industry growth rate of 23.1%. As of CY25, the composition of the loan portfolio reflected an increase in the proportion of exposure to commercial banks to 92.0% (CY24: 88.3%). Financing to microfinance banks and other financial institutions decreased to 4.3% (CY24: 7.1%) while lending to Development Financial Institutions also declined to 3.7% (CY24: 4.6%). Additionally, the overall loan portfolio continued to demonstrate a preference for Islamic mode of financing, with its proportion increasing to 56.8% (CY24: 53.6%) during CY25. Credit risk arising from the refinancing portfolio is considered relatively contained as financing is extended with full recourse to PFIs and the DFI does not have any direct retail borrower exposure on its balance sheet. Nonetheless, the overall credit risk profile remains linked to the financial health and repayment capacity of the underlying financial institutions and their respective borrower segments.

ASSET QUALITY

Table 4: Asset Quality Indicators

ASSET QUALITY (Amounts in PKR Millions)	CY22	CY23	CY24	CY25
NPLs	-	-	1,288.7	1,059.1
Specific Provisioning	-	-	579.9	529.6
Total Provisioning	94.5	347.9	948.3	892.3
Gross Infection	0.0%	0.0%	3.8%	2.6%
Net Infection	0.0%	0.0%	2.0%	1.3%
ECL visioning Coverage	0.0%	0.0%	45.0%	50.0%
Total Provisioning Coverage	0.0%	0.0%	73.6%	84.2%

The DFI's non-performing advances declined to PKR 1.1bn (CY24: PKR 1.3bn), resulting in improved gross and net infection ratios of 2.6% (CY24: 3.6%) and 1.3% (CY24: 2.0%), respectively, as at Dec'25. As per management, the classification pertains to Khushhali Microfinance

Bank and has been maintained on a subjective basis despite the institution continuing to make regular repayments against its obligations. Against this non-performing exposure, PMRC's Stage 3 provisioning stood at PKR 529.6mn (CY24: PKR 579.9mn), translating into a provisioning coverage ratio of 50.0% (CY24: 45.0%). In addition, general provisioning remained unchanged at PKR 347.9mn (CY24: PKR 347.9mn), maintained primarily against the DFI's exposure towards the microfinance sector. Stage 1 provisioning declined to PKR 14.8mn (CY24: PKR 20.5mn). Consequently, total provisioning coverage improved to 84.2% (CY24: 73.6%) at end-CY25.

INVESTMENT PORTFOLIO

Table 5: Investment Portfolio (Amount in Millions)

	CY23		CY24		CY25	
		%		%		%
MTBs	8,977	65.0%	22,517	82.2%	36,969	88.3%
PIBs	4,428	32.1%	4,480	16.4%	4,567	10.9%
TFCs	400	2.9%	400	1.5%	350	0.8%
Total	**13,805**	**100.0%**	**27,397**	**100.0%**	**41,885**	**100.0%**

PMRC's investment portfolio grew to PKR 41.9bn (CY24: PKR 27.4bn) as at end-Dec'25 manifested in higher investments in Market Treasury Bills (MTBs) of PKR 37.0bn (CY24: PKR 22.5bn). Investments in Pakistan Investment Bonds (PIBs) and Term Finance Certificates (TFCs) remained largely unchanged during the review period.

The investment portfolio remains heavily concentrated in government securities, which accounted for approximately 99.2% of total investments as of Dec'25, resulting in minimal credit risk. Within PIB holdings, around 79% of the portfolio comprises fixed-rate PIBs, exposing it to potential mark-to-market risk. However, this risk is mitigated by the portfolio's tilt toward short-term securities, with 88.3% of total investments placed in MTBs. The portfolio's weighted average modified duration of 0.53 as of Dec'25 indicates limited sensitivity to interest rate fluctuations.

LIQUIDITY

Table 6: Liquidity Indicators (All Amounts in PKR Millions)

LIQUIDITY INDICATORS	CY22	CY23	CY24	CY25
Liquid Assets to Deposits & Borrowings	**45.2%**	**50.5%**	**73.7%**	**79.2%**
Liquid Assets	20,791.1	24,461.4	32,638.6	59,516.5
Deposits	-	-	-	10,178.7
Borrowings	38,940.2	41,649.4	41,437.5	62,141.3
Liquidity Coverage Ratio (LCR)	**28091%**	**25131%**	**125278%**	**737%**
Net Stable Funding Ratio (NSFR)	**151%**	**131%**	**165%**	**114%**

Liquidity indicators remained adequate, supported by a sizeable investment portfolio largely comprising government securities and an increase in liquid assets relative to borrowings, with the ratio standing at 79.2% (CY24: 73.7%) as at Dec'25. Adjusting for repo borrowings of PKR 8.0bn (CY24: PKR 456.3mn) and collateral, the liquid assets to borrowings ratio would be 76.7% (CY24: 36.6%). Total borrowings increased to PKR 62.1bn (CY24: PKR 41.4bn), primarily driven by Bai Muajjal borrowings amounting to PKR 30.7bn (CY24: PKR 5.6bn) carrying profit rates ranging from 10.45% to 10.90%. While the increase in wholesale and repo-based funding has elevated reliance on market-based refinancing, the overall liquidity profile continues to benefit from diversified funding sources and access to long-tenor concessional borrowings. Liquidity profile further draws comfort from a sound Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).

PMRC offers housing finance with tenors ranging from 2 to 13 years at markup/profit rates ranging from 6.5% to 18.23%; to support these comparatively longer-duration assets, the DFI maintains access to diversified funding sources comprising both short- and long-term borrowings. The funding profile includes TFCs carrying markup rates of 9.35% to 10.84% with maturities ranging from five to ten years, long-term facilities priced at 11.29% to 11.55% maturing up to November 2028, concessional World Bank-backed borrowings carrying fixed markup of 3% with repayment tenor extending up to 30 years, and subordinated debt maturing in October 2047 at a fixed markup rate of 3%, thereby providing long-tenor funding support for housing finance operations.

The DFI's asset-liability repricing profile reflects negative gaps in the shorter-tenor buckets, particularly up to three months, indicating a relatively higher proportion of liabilities subject to near-term repricing compared to interest-sensitive assets. Thereafter, the repricing gap turns positive across the medium-term buckets, particularly between six months and three years, reflecting comparatively higher asset repricing volumes within these maturities. The cumulative interest rate sensitivity gap also transitions into a positive position beyond the six-month horizon, indicating a relatively balanced structural repricing profile over the medium term. However, the negative short-term mismatch may expose the DFI to spread volatility in a changing interest rate environment, as funding costs on repricing liabilities could adjust at a different pace relative to asset yields. Nevertheless, the positive medium-term repricing gaps provide partial mitigation by supporting better repricing alignment over longer maturities.

CAPITALIZATION

CAPITALIZATION (*In PKR Millions*)	CY23	CY24	CY25
Total Equity	**10,931.0**	**13,411.2**	**15,368.2**
Share capital	6,237.8	6,237.8	6,237.8
Reserves	1,519.5	2,085.3	2,647.7
Unappropriated profit	3,527.3	4,865.1	6,183.8
Surplus on revaluation of assets	(353.6)	223.0	298.9
Tier I Capital	10,895.3	13,157.8	15,046.0
Total Eligible Capital	11,029.1	13,487.5	15,485.3
Risk Weighted Assets (RWA)	15,094	14634.87	18951.76
Total CAR	73.07%	92.16%	81.71%
Tier I CAR	72.18%	89.91%	79.39%
CET 1	72.18%	89.91%	79.39%
Leverage	16.5%	20.2%	15.7%

PMRC's Tier-1 capital increased to PKR 15.0bn (CY24: PKR 13.2bn) as at end-Dec'25 in line with residual profit retention after a dividend payout of PKR 935.7mn (CY24: PKR 935.7mn). Moreover, with increase in Tier II capital to PKR 439.3mn (CY24: PKR 329.7mn) on the back of higher general provisions maintained at 1.25% of Risk Weighted Assets at PKR 140.4mn (CY24: PKR 106.7mn) and an unrealized gain recorded on Available for Sale (AFS) securities amounting to PKR 298.9mn (CY24: PKR 223.0mn), the Total Eligible Capital increased to PKR 15.5bn (CY24: PKR 13.5bn) as at end CY25. The Company's total Risk Weighted Assets (RWAs) increased to PKR 19.0bn as of end-CY25 (CY24: PKR 14.6bn), primarily driven by growth in credit and operational risk-weighted assets, alongside the recognition of market risk RWAs amounting to PKR 860.4mn. The emergence of market RWAs is attributable to the increase in investments classified under FVOCI, which rose to PKR 41.8bn (CY24: PKR 27.0bn), largely comprising MTBs. Given the interest rate sensitivity and repricing risk associated with such instruments, particularly amid the prevailing interest rate environment, the expanded market-sensitive investment portfolio resulted in the recognition of market risk RWAs.

The proportionately lower increase in total capital relative to RWAs has resulted in the Company reporting lower Capital Adequacy Ratio (CAR) of 79.39% (CY24: 89.91%) as of Dec'25 against the regulatory requirement of 11.5%. Additionally, PMRC's leverage ratio declined to 15.7% (CY24: 20.2%); however, it remains well above the SBP's minimum requirement of 3.0%, indicating a substantial buffer.

FINANCIAL SUMMARY *(amounts in PKR millions) – Annexure I*				
BALANCE SHEET	**CY22**	**CY23**	**CY24**	**CY25**
Investments	20,565	13,805	27,397	42,184
Net Advances	33,662	34,402	34,456	40,365
Cash and Bank Balances	226	10,657	1,244	15,971
Other Assets	1,101	1,696	5,160	2,728
Total Assets	**55,554**	**60,559**	**68,256**	**101,249**
Borrowings	38,940	41,649	41,437	62,141
Subordinated Loans	7,051	6,818	2,839	2,785
Deferred Government Grant	-	-	9,146	-
Other Liabilities	818	1,161	1,423	20,954
Total Liabilities	**46,809**	**49,628**	**54,845**	**85,881**
Paid Up Capital	6,238	6,238	6,238	6,238
Tier 1 Capital	8,706	10,895	13,158	15,046
Net Equity (excl. revaluation reserve)	9,194	11,285	13,188	15,069
Net Equity	**8,745**	**10,931**	**13,411**	**15,368**
INCOME STATEMENT	**CY22**	**CY23**	**CY24**	**CY25**
Mark-up/return/profit/interest earned	5,016	7,452	8,061	9,696
Mark-up/return/profit/interest expensed	(2,899)	(4,025)	(3,917)	(6,388)
Net Spread Earned	2,117	3,427	4,145	3,308
Non-Markup Income	6	40	58	142
Administrative/WWF expenses	(450)	(655)	(789)	(692)
Provisions and write-offs (net)	(95)	(253)	(584)	54
Profit/ (Loss) Before Tax	1,579	2,559	2,829	2,812
Profit / (Loss) After Tax	1,579	2,559	2,829	2,812
RATIO ANALYSIS	**CY22**	**CY23**	**CY24**	**CY25**
Gross Infection	0.0%	0.0%	3.6%	2.6%
Net Infection	0.0%	0.0%	2.0%	1.3%
Incremental Infection	0.0%	0.0%	3.7%	-0.6%
Specific Provisioning Coverage	NA	NA	45.0%	50.0%
Total Provisioning Coverage	NA	NA	73.6%	84.2%
Capital Adequacy Ratio (CAR)	64.4%	72.2%	92.2%	81.71%
Liquidity Coverage Ratio (LCR)	28091%	25131%	125278%	737%
Net Stable Funding Ratio (NSFR)	151.2%	131.5%	164.6%	113.86%
Leverage Ratio	15.1%	16.5%	20.2%	15.73%
Efficiency	21.2%	18.9%	18.9%	20.7%
ROAA	3.0%	4.4%	4.4%	3.3%
ROAE	17.2%	25.0%	23.1%	19.9%
Liquid Assets to Deposits & Borrowings	45.2%	50.5%	73.7%	79.2%

**Annualized*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Pakistan Mortgage Refinance Company Limited
Sector	Development Finance Institution (DFI)
Type of Relationship	Solicited
Purpose of Rating	**Entity Ratings**
Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Rating History

Rating Date	Medium to Long Term		Outlook/ Rating Watch	Rating Action
RATING TYPE: ENTITY				
06/03/2026	AAA	A1+	Stable	Reaffirmed
04/24/2025	AAA	A1+	Stable	Reaffirmed
04/09/2023	AAA	A1+	Stable	Reaffirmed
04/14/2022	AAA	A1+	Stable	Reaffirmed
04/12/2022	AAA	A1+	Stable	Harmonized
04/02/2021	AAA	A1+	Stable	Reaffirmed
04/06/2020	AAA	A1+	Stable	Reaffirmed
05/07/2019	AAA	A1+	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Farrukh Zaheer	Head of Treasury and Fis	6th April, 2026
Omair Y. Farooqi	Chief Financial Officer and Group Head Operations	
Syed Zafar Tirmizi	Head Business and Products	
Mehmood Uzair	Head of Risk	
Farheen Amjad	Head of Finance	