RATING REPORT

Habib Bank Limited

REPORT DATE:
June 30, 2025

RATING ANALYSTS:
Musaddeq Ahmed Khan
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RATING DETAILS				
Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity Rating	AAA	A1+	AAA	A1+
Outlook/Rating Watch	Stable		Stable	
Rating Action	*Reaffirmed*		*Reaffirmed*	
TFC-2 (ADT-1)	AA+		AA+	
Outlook/Rating Watch	Stable		Stable	
Rating Action	*Reaffirmed*		*Reaffirmed*	
TFC-3 (ADT-1)	AA+		AA+	
Outlook/Rating Watch	Stable		Stable	
Rating Action	*Reaffirmed*		*Reaffirmed*	
Rating Date	*June 30, 2025*		*June 28, 2024*	

COMPANY INFORMATION	
Established in 1941	**External auditors:** KPMG Taseer Hadi & Co.
Listed Public Limited Company	**Chairman of the Board:** Mr. Sultan Ali Allana
Key Shareholders (with stake more than 5%):	**President & CEO:** Mr. Muhammad Nassir Salim
Aga Khan Fund for Economic Development – 56.58%	

APPLICABLE METHODOLOGY

Financial Institution
https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf

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

VIS Rating Scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Habib Bank Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

Habib Bank Limited (HBL) was established as a privately held bank in 1941. Currently the Bank operates as a public limited company with majority shareholding held by the Aga Khan Fund for Economic Development (AKFED).

Profile of Chairman

Mr. Sultan Ali Allana has served as the Chairman of the Board of Directors of HBL since February 2004. He has over 40 years of experience in the financial and banking sector. Mr. Allana also serves on the Boards of several institutions.

Profile of CEO

Mr. Muhammad Nassir Salim joined HBL on December 18, 2017 as Head Global Operations and holds a BBA (Hons) and an MBA degree from the Institute of Business Administration, Karachi. He possesses an overall experience of 37 years in both domestic and international markets. He started his career from American Express Bank and has worked with Citi in Pakistan and the USA in senior roles. Prior to joining HBL, he was Retail Operations Head at Abu Dhabi Islamic Bank. In April 2021, he assumed the position of Head Branch Banking and based on his outstanding track record, was elevated to the role of Chief Operating Officer and then as President/ CEO in March 2024.

Habib Bank Limited ('HBL' or 'the Bank') maintains its leading position in Pakistan's banking sector, holding the largest market share in deposits, supported by an extensive domestic network, including dedicated Islamic banking branches. The Bank has a notable international presence, operating across various strategic markets. HBL enjoys a strong franchise with systemic importance to Pakistan's financial sector. Through its subsidiaries and associates, the Bank has a presence in the Insurance (Jubilee Life and Jubilee General), Asset Management (HBL AMC), Foreign Exchange (HBL Currency Exchange), Agriculture (HBL Zarai Services) and Microfinance (HBL Microfinance Bank) sectors. The Bank has positioned itself as a frontrunner in sustainability among the banking sector in Pakistan. Its approach goes beyond regulatory compliance, reflecting a long-term commitment to responsible and sustainable banking.

During CY24, HBL's asset base expanded by 8.8%. Growth was reflected in the credit portfolio, partly driven by requirements for maintaining a Gross Advances-to-Deposit Ratio (ADR)[1] of at least 50%. This growth was partially reversed in early CY25 as short-tenor facilities matured. The Bank maintained a significant holding of liquid assets, reflecting a conservative and flexible asset allocation strategy.

As of Dec'24, the Bank's gross advances stood at PKR 2,381 bn, reflecting strong year-on-year growth, primarily within the domestic portfolio. However, by Mar'25, domestic advances declined, while international lending gained traction, mainly in the Middle East region. Sector-wise, major growth was seen in Commodity and Financial sector, with overall asset quality remaining sound. Segment-wise, Corporate lending remained dominant, though its share declined as Commodity Financing expanded significantly. The 'Others' segment also grew notably due to financial institutions. Consumer advances rose modestly, primarily driven by credit cards.

HBL's asset quality remains sound, supported by effective underwriting practices and a comprehensive risk management framework. Non-performing loans (NPLs) rose modestly during the year, predominantly in sectors such as construction and steel. However, gross infection ratio improved to 4.2% (CY23: 5.4%), benefiting from substantial loan growth. The implementation of IFRS-9 significantly increased provisioning levels. By end-1QCY25, the gross infection ratio reverted to 5.3% due to a contraction in gross advances as temporary exposures matured. Despite this base-effect-driven reversal, provisioning coverage remained strong and the net infection ratio low, indicating continued resilience in credit quality.

HBL's investment portfolio retains a conservative risk profile, predominantly comprising sovereign securities such as Pakistan Investment Bonds (PIBs), which account for the majority of holding. The preference for floating-rate PIBs—representing approximately 69.1% (Dec'24: 63.4%; Dec'23: 69.0%) of total PIB investments—provides effective mitigation against interest rate volatility by reducing exposure to valuation losses amid

[1] *Adjusted for SBP refinancing schemes*

interest rate changes. HBL mitigates market risk prudently by managing the investment portfolio within a well-defined risk appetite structure and interest rate gaps which take into account the behavior of both assets and liabilities, as well as market dynamics. The recent decline in policy interest rates substantially improved Mark-to-Market (MTM) valuations.

Liquidity remains strong, supported by HBL's extensive franchise and well-diversified deposit base, reflected in an improved CASA ratio of 83.4% as of Mar'25. Although market share has slightly reduced over the previous year-end, the Bank maintains strong access to stable, low-cost funding. Liquidity indicators, including the Liquidity Coverage Ratio (LCR) at 269.7% and the Net Stable Funding Ratio (NSFR) at 167.6%, significantly exceed regulatory requirements. Deposit granularity remains high, indicating low concentration risk, further underpinning liquidity stability. While the Liquid Assets to Deposits and Borrowings (LADB)[2] ratio declined temporarily at end-CY24 amid elevated lending, it normalized by Mar'25 following the maturity of short-tenor exposures, reaffirming the resilience of the Bank's liquidity buffers.

Profitability performance was maintained despite a narrowed Net Interest Margin (NIM) of 5.6% (CY23: 6.2%) in CY24. A substantial increase in non-markup income—primarily from treasury gains, card-related fee income, and gains from rationalizing international operations—supported earnings. Inflation-driven increase in administrative expenses weakened the efficiency ratio to 60.5% (CY23: 56.8%), although the growth in administrative expenses remained lower compared to peers. The international business showed notable improvement, contributing positively to overall profitability. Elevated provisioning and a higher tax burden moderately impacted bottom-line performance, resulting in a slightly reduced Return on Average Assets (ROAA) of 1.0% (CY23: 1.2%). Moving forward, an ongoing strategic focus on cost management and sustained growth in non-interest revenue streams is anticipated to bolster profitability.

HBL's capital position has improved, with Tier-1 Capital Adequacy Ratio (CAR) rising to 14.8% (CY23: 13.4%) by end-CY24, supported by internal profit retention and the inclusion of Foreign Exchange Translation Reserves into Common Equity Tier-1 (CET-1) capital. The overall CAR rose to 18.2% (CY23: 17.3%) by end-CY24, remaining comfortably above regulatory minimums. The Bank maintains a high-quality capital structure, with Tier-1 capital comprising 80.9% of total eligible capital, leaving room for potential Tier-2 issuances. Prudent capital planning, strong internal capital generation, and conservative risk-weighted asset management collectively support a robust capitalization profile, expected to remain comfortably above regulatory thresholds.

Banking Sector

In 2024, Pakistan's banking sector remained resilient, supported by improving macroeconomic conditions. Inflation receded from the previous year's highs, the currency stabilized, and fiscal consolidation progressed, enabling steadier economic activity. Against this backdrop, the aggregate balance sheet of commercial banks expanded significantly—rising by approximately 15.8% during the year to reach around PKR 53.7

[2] *Adjusted for repo and collateral*

tn. As of Dec'24, deposits had grown by about 9.1% year-on-year to over PKR 31.8 tn, driven by favorable interest rates during much of the year.

The divergence between deposit and asset growth is explained by superior equity growth and more notably interbank transactions backed by and channeled into the purchase of government securities to magnify positive spreads through volumes. A substantial portion of the deposit growth during the first three quarters of 2024 was also directed into government securities. In the final quarter, private-sector advances gained significant traction, as banks sought to avoid paying a higher tax charge up to 15%, if their ADR fell below 50%. Consequently, the ADR for the industry stood at 53.2% by year-end.

Financial performance in 2024 remained broadly stable. Aggregate after-tax profitability for the banking sector was largely unchanged, with SBP data indicating a marginal increase in after-tax profits to PKR 644.0 bn (2023: PKR 642.0 bn). Net interest margins and net interest income remained steady; however, the monetary easing initiated in June 2024, along with increased provisioning requirements, exerted pressure on returns. As a result, key profitability indicators—Return on Average Assets (ROAA) and Return on Average Equity (ROAE)—moderated slightly.

Capital buffers remained strong. The industry's capital adequacy ratio (CAR) rose to approximately 20.4% by end-2024 (2023: 19.4%), remaining well above the regulatory minimum. Banks benefited from strong deposit inflows—boosted by the SBP's digital and financial inclusion initiatives—and continued to maintain excess capital to mitigate systemic risks. In a move to enhance depositor confidence and systemic stability, the Deposit Protection Corporation (DPC) raised insured limits to PKR 1 mn per depositor in late 2024.

Asset quality continued to improve during 2024. The non-performing loan (NPL) ratio declined to approximately 6.3% (2023: 7.6%). The specific provisioning coverage for Stage-3 assets rose to 83.8% (2023: 81.3%), while general provisioning coverage, against performing and underperforming advances, increased to 1.4% (2023: 0.9%). Regulatory authorities maintained a strong focus on prudent provisioning and risk management practices, which supported containment of credit risk. Large corporate borrowers generally remained creditworthy, underpinned by adequate liquidity and repayment capacity.

Looking ahead, Pakistan's commercial banking sector appears well-positioned, underpinned by strong fundamentals, though it must navigate a landscape of mixed opportunities and risks. The sharp monetary easing in the second half of 2024—reducing policy rates from 22% to around 11% by early 2025—was supported by a marked decline in inflation to single digits, creating room for continued gradual policy support. In this evolving macroeconomic environment, banks may face some compression in net interest margins, while the pace of credit expansion will depend on the strength of economic recovery and borrower demand. If growth momentum strengthens, lending to SMEs and consumers is expected to rebound, aided by regulatory incentives and targeted refinance schemes.

Simultaneously, sustained efforts in digital transformation and financial inclusion—including the expansion of instant payment systems and broader outreach to underserved

	market segments—are expected to improve operational efficiency and deepen market penetration. While fiscal and external vulnerabilities may moderate the pace of policy easing and credit growth, the sector enters 2025 with improved asset quality, strong capitalization, and ample liquidity buffers. Overall, the outlook remains one of cautious optimism, supported by continued regulatory facilitation and a more stable macroeconomic environment, laying the groundwork for gradual and broad-based sectoral growth.

Habib Bank Limited — Appendix I

FINANCIAL SUMMARY				(PKR in millions)
BALANCE SHEET	**31-Dec-22**	**31-Dec-23**	**31-Dec-24**	**31-Mar-25**
Total Investments	1,882,075.27	2,499,929.78	2,398,928.17	2,714,436.94
Gross Advances	1,709,421.32	1,760,300.64	2,381,411.46	1,878,255.32
Net Advances	1,622,607.45	1,664,016.20	2,254,964.43	1,753,867.14
Total Assets	4,355,096.92	5,201,671.16	5,659,803.83	5,551,594.66
Borrowings	579,004.94	659,342.82	787,746.50	594,025.30
Deposits & other accounts	3,234,176.42	3,870,179.91	4,091,168.38	4,187,822.38
Subordinated Loans	18,874.00	18,874.00	18,874.00	18,874.00
Total Liabilities	4,101,321.40	4,867,891.76	5,282,018.53	5,164,997.29
Paid Up Capital	14,668.53	14,668.53	14,668.53	14,668.53
Tier-1 Equity	219,266.32	259,753.01	310,176.39	319,312.98
Net Shareholders Equity (excluding revaluation surplus)	251,790.74	307,399.87	320,296.41	330,997.29
INCOME STATEMENT	**CY22**	**CY23**	**CY24**	**1QCY25**
Net Spread Earned	152,136.96	223,394.96	228,082.75	62,833.68
Net Provisioning	6,455.87	10,634.58	20,962.41	1,488.75
Non-Markup Income	38,256.40	53,902.25	85,152.96	18,029.27
Operating Expenses	110,475.26	152,339.34	170,661.90	44,458.48
Profit Before Tax	71,554.59	111,737.07	118,877.11	34,220.38
Profit After Tax	30,867.00	56,856.00	56,765.82	15,115.55
RATIO ANALYSIS	**CY22**	**CY23**	**CY24**	**1QCY25**
Market Share (Advances) (%)	12.33%	11.91%	12.78%	11.43%
Market Share (Deposits) (%)	13.03%	12.44%	12.05%	11.78%
Gross Infection (%)	4.96%	5.36%	4.21%	5.29%
Net Infection (%)	0.62%	0.83%	0.40%	0.57%
Specific Provisioning Coverage (%)	88.04%	85.13%	90.80%	89.65%
General Provisioning Coverage (%)	0.75%	0.96%	1.55%	1.99%
Net NPLs to Tier-1 Capital (%) (adjusted for general provision)	4.38%	5.08%	2.67%	2.90%
Cost of Deposits (%)	5.71%	9.42%	10.26%	6.16%
NIM (%)	4.43%	6.21%	5.56%	5.62%
Efficiency (%)	57.70%	56.85%	60.50%	58.72%
ROAA (%)	0.73%	1.19%	1.05%	1.08%*
ROAE (%) (Net Shareholder Equity)	12.74%	20.34%	18.09%	18.57%*
Liquidity Coverage Ratio (%)	254.43%	270.81%	266.97%	269.70%
Net Stable Funding Ratio (%)	148.52%	159.85%	152.08%	167.61%
Liquid Assets to Deposits & Borrowings** (%)	58.99%	65.04%	54.67%	65.37%
Gross Advances to Deposits Ratio*** (%)	47.62%	41.08%	54.73%	41.65%
Tier-1 CAR (%)	12.78%	13.44%	14.76%	15.15%
Capital Adequacy Ratio (%)	15.00%	17.28%	18.24%	18.52%

**Annualized*

*** Adjusted for repo and collateral*

**** Adjusted for SBP refinancing schemes*

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	Habib Bank Limited
Sector	Commercial Banks
Type of Relationship	Solicited
Purpose of Rating	Entity & Instrument Ratings
Rating History	

Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action
		RATING TYPE: ENTITY		
30-Jun-25	**AAA**	**A1+**	**Stable**	**Reaffirmed**
28-Jun-24	AAA	A1+	Stable	Reaffirmed
27-Jun-23	AAA	A1+	Stable	Reaffirmed
29-Jun-22	AAA	A1+	Stable	Reaffirmed
30-Jun-21	AAA	A1+	Stable	Reaffirmed
30-Jun-20	AAA	A1+	Stable	Reaffirmed
28-Jun-19	AAA	A1+	Stable	Reaffirmed
31-Dec-18	AAA	A1+	Stable	Maintained
29-Jun-18	AAA	A1+	Negative	Reaffirmed
22-Sep-17	AAA	A1+	Negative	Maintained
31-Aug-17	AAA	A1+	Rating Watch - Negative	Maintained
30-Jun-17	AAA	A1+	Stable	Reaffirmed
30-Jun-16	AAA	A1+	Stable	Reaffirmed
30-Jun-15	AAA	A1+	Stable	Reaffirmed

Rating Date	Medium to Long Term	Outlook/ Rating Watch	Rating Action
	RATING TYPE: TFC-2 (ADT-1)		
30-Jun-25	**AA+**	**Stable**	**Reaffirmed**
28-Jun-24	AA+	Stable	Reaffirmed
27-Jun-23	AA+	Stable	Reaffirmed
29-Jun-22	AA+	Stable	Reaffirmed
30-Jun-21	AA+	Stable	Reaffirmed
30-Jun-20	AA+	Stable	Reaffirmed
28-Jun-19	AA+	Stable	Final
31-Dec-18	AA+	Stable	Preliminary

Rating Date	Medium to Long Term	Outlook/ Rating Watch	Rating Action
	RATING TYPE: TFC-3 (ADT-1)		
30-Jun-25	**AA+**	**Stable**	**Reaffirmed**
28-Jun-24	AA+	Stable	Reaffirmed
27-Jun-23	AA+	Stable	Reaffirmed
15-Dec-22	AA+	Stable	Final
04-Oct-22	AA+	Stable	Preliminary

Instrument Structure (Tier 1)	Privately placed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible Additional Tier-I (ADT-1) TFC amounting Rs. 12.4b.
Instrument Structure (Tier 1)	Privately placed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible Additional Tier-I (ADT-1) TFC amounting Rs. 6.5b.
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.

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<tr><td>Probability of Default</td><td>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.</td></tr>
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<tr><td>Due Diligence Meetings Conducted</td><td>
<table>
<tr><th></th><th>Name</th><th>Designation</th><th>Date</th></tr>
<tr><td>1</td><td>Mr. Aamir Irshad</td><td>Head Corporate, Commercial & Investment Banking</td><td rowspan="5">26-May-25</td></tr>
<tr><td>2</td><td>Mr. Tariq Masaud</td><td>Chief Risk Officer</td></tr>
<tr><td>3</td><td>Mr. Risha Mohyeddin</td><td>Global Treasurer</td></tr>
<tr><td>4</td><td>Ms. Fizzah Sajid</td><td>Head Financial Reporting</td></tr>
<tr><td>5</td><td>Mr. Muhammad Jamal Chughtai</td><td>Manager Credit & Operational Risk</td></tr>
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