RATING REPORT

Khushhali Microfinance Bank Limited

REPORT DATE:
May 30th, 2024

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating Long-term	Latest Rating Short-term	Previous Rating Long-term	Previous Rating Short-term
Entity	A-	A-2	A-	A-2
Outlook/Rating Watch	Rating Watch – Negative		Rating Watch – Negative	
Rating Action	Reaffirmed		Downgrade	
Rating Date	*May 30th, '24*		*April 28th, '23*	
TFC-1	B (Negative)		B (Rating Watch - Negative)	
Rating Date	*May 30th, '24*		*Aug 18th, '23*	
TFC-2	B (Negative)		B (Rating Watch - Negative)	
Rating Date	*May 30th, '24*		*Aug 18th, '23*	

COMPANY INFORMATION

Incorporated in 2000	**External auditors:** BDO Ebrahim & Co. Chartered Accountants
Public Limited Company	**Chairman of the Board:** Mr. Robert Binyon
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Aameer Mustaaly Karachiwala
United Bank Limited – 27.8%	
Rural Impulse Fund II S.A. SICAV-FIS – 21.3%	
MultiConcept Fund Management S.A (responsAbility Management Company S.A) – 17.4%	
ShoreCap II Limited – 12.5%	
ASN-NOVIB MicrokredietPool – 8.6%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Micro Finance Banks
https://docs.vis.com.pk/docs/MicroFinance-Oct-2023.pdf

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

Khushhali Microfinance Bank Limited

OVERVIEW OF THE INSTITUTION

Khushhali Microfinance Bank Limited (previously Khushhali Bank Limited) was incorporated in 2000 with proclamation of Khushhali Bank Ordinance by Government of Pakistan. Subsequently, it was transformed into a public limited company in 2008. Objective of the Bank is to provide financial services to Micro, Small and Medium Enterprises and low-income households across Pakistan.

Profile of Chairman

Robert Binyon graduated in Modern History from Christ Church Oxford and has a long experience of the banking industry around the globe, starting in 1972 with Morgan Grenfell, the London Merchant Bank. Currently, he is chairman of Lakeshore LLP, a private equity fund and of Khronos Advisory Limited, both based in Thailand and Chairman of many other commercial businesses operating in China and South East Asia.

Profile of President/CEO

Aameer Karachiwalla is a Chartered Accountant with 30+ years of experience. He joined UBL in 1998 and has held the positions of CFO, CCO, Chief of Staff and Group Executive Retail Banking at UBL. He is also the Chairman of the Board at UBL Insurers Ltd. and 1Link. Before joining UBL, Aameer held senior positions at a number of financial institutions and multinationals including American Express Bank, Citicorp Investment Bank

RATING RATIONALE

Khushhali Microfinance Bank Limited's credit ratings reflect a challenging operating environment faced by the microfinance sector. High asset losses have been booked by the Bank over the past few years. Despite the consequent erosion of risk buffers, resulting in negative equity, the Management has devised a plan towards recovery, with cautious growth in the secured lending segment and concerted efforts towards network consolidation. Some progress against operational strategy has also been noted. Despite decline in liquid assets to deposits and borrowings ratio, funding profile has improved with increased diversification, mitigating the risk of large calls on liquidity.

A notable increase in net markup income in CY23 was largely offset by elevated operating expenses. Provisions booked through profit and loss statement, though reduced from prior year, remained high, resulting in a lower net loss for the year. Further asset losses were reflected as transition impact of IFRS 9 adoption. Focus on asset repricing to become better aligned with market dynamics, may support earnings profile, going forward, as would lower asset charge-offs, given that losses in the current portfolio now stand largely recognized.

Capitalization remains a key concern, with negative equity reported and capital adequacy ratio (CAR) breaching regulatory thresholds. The approval of a long-term strategic and restructuring plan signals a commitment towards addressing capital shortfalls and revitalizing the Bank's financial position; successful implementation of the said plan is pivotal for reinstatement of loss buffers, sustainable growth and recovery towards profitability. VIS will monitor developments on the operational and capitalization fronts; any shortfall against planned improvements may result in the revision of ratings assigned.

Audit Opinion

In CY23, there was a transition in external auditors. EY Ford Rhodes Chartered Accountants, formerly held the role of external auditor, but as of the recent change, BDO Ebrahim & Co. Chartered Accountants has assumed this responsibility.

The report has been prepared based on the Draft Financial Statements as Audited Financial Statements are not yet available. Therefore reported numbers, ratios, and analytical conclusions drawn may be subject to modification.

In 2022, EY Ford Rhodes Chartered Accountants provided an unqualified opinion; however, attention was drawn to material uncertainty related to going concern assumption. As at the report date, the Bank's Capital Adequacy Ratio (CAR) fell below the minimum prescribed threshold set by the State Bank of Pakistan, as the Bank incurred a net loss of Rs. 3.1b and had negative operating cashflows during the year ended Dec'22. As per auditors, these events or conditions along with other matters indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. However, the financial statements were prepared on a going concern basis.

About the Company

Khushhali Microfinance Bank Limited ('KMBL' or the 'Bank') was incorporated in 2000 with proclamation of Khushhali Bank Ordinance by Government of Pakistan. Subsequently, it was transformed into a public limited company in 2008. The Bank is licensed to provide microcredit services to underserved and unbanked segments nationwide with an overall objective of mitigating poverty and promoting social welfare. The Bank has 206 branches and 9 permanent booths in operation as at Dec'23 (Dec'22: 220 branches, 23 permanent booths) and is licensed to operate nationwide.

Key Rating Drivers

Board and Management Team

The Board of Directors (BoD) is chaired by Mr. Robert Binyon. He has over 50 years of diversified experience in the banking industry around the globe. BoD members as at Dec'23 are as follows:

Directors	Status
Mr. Robert Binyon	Chairman
Mr. Aameer Karachiwalla	President/CEO
Mr. Geert Peetermans	Director
Mr. Sharjeel Shahid	Director
Mr. Imran Sarwar	Director
Mr. Henning Haugerudbraaten	Director
Mr. Elco Willem Gerard Mol	Director
Ms. Simi Sadaf Kamal	Independent Director
Mr. Humayun Bashir	Independent Director

At end-Dec'23, the Board consisted of nine (Dec'22: 8) members including two independent directors and the CEO. In CY23, Mr. Imran Sarwar joined as Director on the Board. Five BoD committees at the Bank are present to maintain effective oversight, namely Board Audit Committee (BAC), Board Risk Management Committee (BRMC), Board Social & Environmental Committee (BSEC), Board Human Resources & Compensation Committee (BHRCC), and Board Digital Finance Committee (BDFC).

During CY23, three key positions witnessed turnover including the position of Company Secretary & General Counsel, the Chief Internal Auditor and the position of Head of Products - which is currently vacant.

Productivity Analysis and Branch Network

Productivity Indicators	Dec'21	Dec'22	Dec'23
No. of Los	2,743	2,225	2,378
No. of Branches	206	220	206
No. of Active borrowers	803,820	734,860	525,430
LO/Branch	13	10	11
Active borrowers/LO	293	331	220
Active borrowers/branch	3,902	3,340	2,550
Average Loan Size (Rs.)	88,057	120,124	139,255

The industry continues to face a significant challenge due to the high attrition rate among loan officers (LOs). This high turnover rate presents difficulties in portfolio management, creates training and skill gaps, leads to a lesser understanding of products, and places an increased burden on existing staff. These challenges impede both asset acquisition and the Bank's efforts in loan recovery. Despite the challenge, number of loan officers increased during CY23. Collection and Recovery Unit (CRU) remained the key focus which is being prioritized and empowered with requisite resources. As per the network consolidation plan, number of branches fell during CY23 with the closure of 14 branches. Similarly number of permanent booths faced a similar trend, falling to a total of 9 (Dec'22: 23) as at Dec'23. Management's decision of re-implementing portfolio consolidation strategy, led to total number of active borrowers decreasing significantly by end-Dec'23. The average loan size increased over the years in line with inflationary pressures and elevated financial needs of borrowers.

Microcredit Portfolio

The Bank's Gross Loan Portfolio (GLP) experienced a decline over the last year, reaching Rs. 87.1b (Dec'22: Rs. 88.6b) by end of Dec'23. Loan disbursements amounted to Rs. 40.0b (CY22: Rs. 70.4b), while loan recoveries amounted to Rs. 68.5b (CY22: Rs. 66.1b). Owing to distressed asset quality indicators coupled with pressure of maintaining minimum regulatory CAR and to preserve liquidity, disbursement activities had to be suspended in the first half of CY23 and then resumed with a cautious approach. Following the implementation of IFRS 9 in CY23, Stage 3 loans were reported at Rs. 21.0b, compared to Non-Performing Loans (NPLs) of Rs. 4.9b as at Dec'23, despite total write-offs of Rs. 9.6b (CY22: Rs. 5.3b), indicating significant weakness in the credit portfolio.

Risk Segregations

Segments (Rs. in m)	CY21	%	CY22	%	CY23	%
Livestock	19,741	27%	23,502	27%	21,459	29%
Agriculture	25,927	36%	28,399	32%	27,233	37%
Enterprise	13,794	19%	17,682	20%	12,576	17%
Housing	5,273	7%	7,532	9%	5,814	8%
General Purpose	6,047	8%	9,420	11%	4,231	6%
KB Staff Loans	1,731	2%	2,061	2%	1,856	3%
Total	**72,513**	**100%**	**88,596**	**100%**	**73,169**	**100%**

ECL (Rs. in m)	Stage 1	Stage 2	Stage 3	Total	% of ECL
Livestock	775	778	1,999	3,553	30%
Agriculture	1,150	1,313	3,595	6,058	51%
Enterprise	1,418	168	221	1,806	15%
Housing	304	2	51	358	3%
General Purpose	21	0	0	22	0%
KB Staff Loans	0	0	24	24	0%
Total	3,667	2,262	5,891	11,820	100%

In terms of sector-wise concentration no major changes were evidenced; agriculture portfolio continued to represent the largest chunk of GLP. Stage 3 assets in comparison to exposure are highest for Agriculture at 13.2%, indicating relatively higher riskiness of this segment.

To manage credit exposure, the management prioritized increasing the proportion of secured loans in the portfolio, resulting in a higher share of secured loans during the outgoing year. Albeit this, unsecured loans accounted for 77% of the total ECL by year end. On the other hand, in terms of type of payment, the share of EMI slightly decreased to 31% (CY22: 32%), whereas the proportion of Bullet loans increased to 69% (CY22: 68%) by end-CY23. The bullet portfolio contributes the most to the Bank's Expected Credit Loss (ECL), accounting for 73% of the total and also indicative of higher riskiness of these loans. The proportion of group loans was also reduced in order to mitigate the credit risk associated with such mechanisms.

Secured/Unsecured (Rs. in m)	CY21	%	CY22	%	CY23	%
Secured	28,208	39%	44,304	50%	37,698	52%
Unsecured	44,305	61%	44,292	50%	35,470	48%
Total	**72,513**	**100%**	**88,596**	**100%**	**73,169**	**100%**

EMI/Bullet (Rs. in m)	CY21	%	CY22	%	CY23	%
EMI	20,389	28%	28,303	32%	22,632	31%
Bullet	52,124	72%	60,293	68%	50,536	69%
Total	**72,513**	**100%**	**88,596**	**100%**	**73,169**	**100%**

Group/Individual (Rs. in m)	CY21	%	CY22	%	CY23	%
Group	17,702	24%	9,143	10%	4,709	6%
Individual	54,811	76%	79,454	90%	68,460	94%
Total	**72,513**	**100%**	**88,596**	**100%**	**73,169**	**100%**

The business approach entails implementation of portfolio consolidation for the high-risk portfolio and cost rationalization strategy with reduction in exposure to loss-making segments and continuation of new business through lending in more stable and secure segments. With regard to this, no new-to-bank disbursements are being made under unsecured portfolio. Going forward, management's main focus will be on Gold, National Saving Certificate (NSC)/Term Deposit Certificates (TDC), Khushhali Amdani Loan (KAL), Housing Loans with Mortgage and Secured Sarmaya products. The Portfolio in Housing and Micro Enterprise is almost 100% secured or semi-secured. The share of this portfolio will continue to increase. The management plans to increase disbursements under semi-secured lending products including salary/pension schemes. The proposed increased disbursement under Housing finance will aid in enhancing proportion of EMI portfolio.

Asset Quality Indicators

Infection (Rs. in m)	CY21	CY22	CY23
NPLs /Stage 3 assets	3,015	4,936	21,011
Credit exposures written off	3,797	5,295	9,552
Tier 1 Equity	11,185	7,071	(3,325)
Gross Infection	**4.2%**	**5.6%**	**24.1%**
Net Infection	**3.4%**	**3.8%**	**18.6%**
Incremental Infection	**7.1%**	**8.6%**	**28.4%**
Specific Provisioning Coverage	**19.1%**	**32.6%**	**28.0%**
Provisioning Coverage	**54.0%**	**45.1%**	**56.2%**

NPLs/Stage 3 assets stood at Rs. 21.0b as of Dec'23 (Dec'22: Rs. 4.9b). Consequently, both reported gross and net infection rates have risen significantly to 24.1% (CY22: 5.6%) and 18.6% (CY22: 3.8%), respectively. With sizable quantum of write-offs, totaling Rs. 9.6b (CY22: Rs. 5.3b), newly recognized infection shows considerable worsening. These trends underscore the accumulation of credit risk in KMBL's loan portfolio. However, the total provisioning coverage has risen to 56.2% (CY22: 45.1%) due to an increase in the credit loss allowance against advances, particularly at Stage-3, as mandated by IFRS-9. The provision coverage of Stage-3 assets stood at 28.0%, with Stage-1 and Stage-2 provisions coverage being 8.0% and 11.2% of gross exposures in these categories respectively. .

Investment Mix

The investment portfolio decreased, amounting to Rs. 10.0b as of Dec'23 (Dec'22: Rs. 11.3b). Within the investment portfolio, Pakistan Investment Bonds (PIBs) have been measured at Fair Value Through Other Comprehensive Income (FVOCI). Tenure of PIBs range from medium to long term with fixed and floating interest. KMBL also has exposure to Term Finance Certificates (TFC's), amounting to Rs. 150m (Dec'22: Rs. 150m) issued by Bank Al Habib and Soneri Bank Limited for a perpetual tenure. These are measured at amortized costs, hence not subject to marking to market. Credit risk emanating from investment portfolio remained negligible as almost the entire investment portfolio is vested in sovereign securities. However, market risk on fixed rate PIBs remains a cause of concern.

Liquidity and Leverage Profile

Liquidity (Rs. in m)	CY21	CY22	CY23
Liquid Assets	28,250.9	25,236.8	22,675.2
Deposits	93,162	111,792	102,782
Borrowing	4,608	2,175	1,798
Subordinated debt	3,000	4,500	3,842
Liquid Assets to Deposits and Borrowing(x)	**28.0%**	**21.3%**	**20.9%**
Advances to Deposits	**77.8%**	**79.3%**	**84.7%**
CA (%)	**11.0%**	**8.6%**	**8.7%**
CASA (%)	**42.0%**	**38.8%**	**26.6%**
Liquid Assets/ TA	**24.2%**	**19.1%**	**21.1%**

KMBL's liquidity position was marked by reduced balances in financial institutions and held as liquid investments, as well as cashflow constraints. KMBL's Liquid Assets to Deposits and Borrowings reached 20.9% (CY22: 21.3%) by Dec'23, while Advances to Deposits Ratio has increased to 84.7% (CY22: 79.3%). On the other hand, deposit composition has improved with increasing reliance on retail funds, which has positive implications for stability in fund sources. Individual depositors increased to 89.7% (CY22: 70.0%) while top 10 depositors now account for 7.0% (CY22: 21.1%) of total deposit base, implying reduced probability of large calls on liquidity. Saving deposits fell significantly, while fixed deposits increased, also partly mitigating the risk of unpredictable withdrawals. In terms of maturity analysis as at Dec'23, KMBL appears to be well placed for up to two years on a cumulative basis, indicating well managed liquidity profile in the short to medium term.

Deposit base breakups are provided in the tables below:

Deposits Breakdown (Rs. in m)	CY22	%	CY23	%
Individuals	78,274	70.0%	92,244	89.7%
Government (Federal and Provincial)	5,445	4.9%	2,942	2.9%
Public sector entities	0	0.0%	70	0.1%
Banking companies	5,237	4.7%	2,014	2.0%
Non-banking financial institutions	0	0.0%	1	0.0%
Private sector	22,837	20.4%	5,511	5.4%
Total	**111,793**	**100.0%**	**102,782**	**100.0%**

Deposits Breakdown (Rs. in m)	CY21	%	CY22	%	CY23	%
Fixed deposits	54,051	58.0%	68,471	61.2%	75,476	73.4%
Saving deposits	28,840	31.0%	33,762	30.2%	18,327	17.8%
Current deposits	10,270	11.0%	9,559	8.6%	8,979	8.7%
Total Deposits	**93,161**	**100.0%**	**111,792**	**100.0%**	**102,782**	**100.0%**

Total borrowings fell, standing at Rs. 1.8b (Dec'22: Rs. 2.2b) as at Dec'23. No new borrowing lines were availed during the year. Existing borrowings mostly include mortgage refinance facility for financing Bank's housing mortgage portfolio from Pakistan Mortgage Refinance Company Limited under the Government's Markup Subsidy Scheme for Housing Finance (GMSS). It also includes interbank money market borrowing.

The subordinate debt includes four different categories of Term Finance Certificates (TFCs). During CY23, TFC-IV amounting to Rs. 1.5b was converted into common shares on Securities and Exchange Commission of Pakistan's approval. TFC-I, amounting to Rs. 1.3b, will mature in Mar'26; TFC-II, amounting to Rs. 1.8b, will mature in Dec'27; and TFC-III, amounting to Rs. 7.7b, will mature in Jun'28.

Profitability Indicators

Markup earned on advances increased to Rs. 22.8b in CY23 (CY22: Rs. 17.5b), led by a higher yield on average advances, at 28.24% (CY22: 22.31%). Markup expense on deposits also increased to Rs. 16.1b in (CY22: Rs. 16.1b), with similarly higher cost on average deposits at 15.0% (CY22: 10.9%). In view of the changes in the policy rate and consequent increase in deposit cost, the Bank has increased asset pricing by 3-5% across the entire product suite since Nov'22 till date. In addition, the frequency of asset price reviews has been adjusted with asset repricing being in tandem with every new policy rate announcement, to mitigate compression of spreads, in a rising rate scenario. On the flip side, although the increase in prices on the lending side will rectify net interest margin compression, the same can escalate credit risk, with higher markup payments further stressing the already compromised credit repayment capacity of micro-credit borrowers.

Operating expenses surged to Rs. 8.8b (CY22: Rs. 7.6b), which is reflective of inflationary impact on overheads. However total provisions for CY23 at Rs. 3.8b, compared to Rs. 5.6b in CY22 caused overall loss before tax to reduce significantly. Operational Self-Sufficiency (OSS) ratio improved over the year, reaching 94.9% (CY22: 84.1%). The bank reported a still negative bottom line of Rs. 25.5m (CY22: Rs. -3.1b) in CY23.

Capitalization

The Bank has converted ADT- I instrument of Rs. 1.5b into Common Shares of the Bank in accordance with the loss absorbency clause of the ADT -1 of the Investors Agreement. Resultantly paid-up capital increased to Rs. 2.0b (Dec'22: Rs. 1.7b) as at Dec'23. The equity base of the Bank has declined on account of sizable impact of IFRS-9 adoption, amounting to Rs. 13.9b. This resulted in total equity becoming negative, reaching Rs. -4.4b (Dec'22: Rs. 8.1b) and Tier 1 Capital at Rs. -3.3b (Dec'22: Rs. 7.1b). Since Tier 1 Capital as at Dec'23 is negative, Tier 2 Capital is not eligible for CAR calculation (Dec'22: Rs. 2.4b). Total Risk Weighted Assets fell to Rs. 58.4b (Dec'22: Rs. 80.3), primarily owing to reduction of microcredit portfolio. As of Dec'23 Capital Adequacy Ratio (CAR) stands at –5.7% (CY: 11.7%) which is significantly below regulatory requirement of 15% for Microfinance Banks.

To address the recent losses, the Bank's Board of Directors has approved two major plans: the Long-Term Strategic Plan 2024-2030 and the Self-sustaining Restructuring Plan 2024-2030. The Long-term Strategic Plan, spanning seven years and incorporating an additional Rs 8.0b in capital, aims to steer the Bank back to growth and profitability. Approved in a meeting on March 07, 2023, this strategic plan is designed to bolster KMBL's capital base and facilitate sustainable future expansion. The Bank is presently in the process of raising fresh capital from existing shareholders through a right issue.

The self-sustaining restructuring plan, also spanning seven years, was approved by the Board on November 15, 2023, as a contingency in case new capital isn't secured. As of Dec'23, the Bank manages a high-risk portfolio, affected by COVID and amounting to Rs. 26b, representing nearly 30% of the loan book. The Bank's regular portfolio of Rs. 61b, constituting 70% of the total, has remained profitable. KMBL is relying on the sound portfolio with a major portion secured by collateral such as gold and TDCs, to generate earnings, with the "bad bank" segregated, with a focus on recovery.

Khushhali Microfinance Bank Limited Annexure I

FINANCIAL SUMMARY			*(amounts in PKR millions)*
BALANCE SHEET	**Dec 31, 2021**	**Dec 31, 2022**	**Dec 31, 2023**
Cash & balances with SBP and NBP	3,883.7	5,153.7	3,913.9
Balances with other Banks/NBFIs/MFBs	10,177.3	3,903.0	766.6
Investments - Net of Provisions	14,089.8	11,287.1	9,980.6
Advances - Net of Provisions	70,884.2	86,372.4	75,259.4
Other Assets	13,270.6	14,433.1	2,673.6
Total Assets	116,523.9	132,206.4	107,358.2
Total Deposits	93,162.4	111,791.7	102,782.1
Borrowings	4,608.4	2,175.0	1,798.1
Subordinated Debt	3,000.0	4,500.0	3,842.4
Other Liabilities	2,540.8	2,910.2	1,500.9
Tier-1 Equity	10,706.4	7,070.8	(3,324.6)
Net Worth	11,184.5	8,095.7	(4,399.1)
Paid Up Capital	1,705.0	1,705.0	1,954.4
INCOME STATEMENT	**CY21**	**CY22**	**CY23**
Net Mark-up Income	9,691.8	7,504.8	8,367.7
Net Provisioning / (Reversal)	3,938.3	5,643.1	3,771.2
Non-Markup Income	1,909.4	1,984.4	1,768.4
Operating Expenses	6,794.1	7,651.8	8,488.1
Profit Before Tax	869.6	(4,185.0)	(1,505.6)
Profit after tax	571.7	(3,051.8)	(25.5)
RATIO ANALYSIS	**CY21**	**CY22**	**CY23**
Gross Infection (%)	4.2%	5.6%	24.1%
Incremental Infection (%)	7.1%	8.6%	28.4%
Provisioning Coverage - Total (%)	54.0%	45.1%	56.2%
Provisioning Coverage - Specific (%)	19.1%	32.6%	28.0%
Net Infection (%)	3.4%	3.8%	18.6%
Net NPLs to Tier-1 Capital (%)	22.8%	47.0%	-455.0%
Capital Adequacy Ratio (%)	18.3%	11.7%	-5.7%
Markup on earning assets (%)	20.4%	20.3%	27.1%
Cost of Funds (%)	9.1%	11.3%	15.3%
Markup Spreads (%)	11.2%	9.1%	11.8%
OSS (%)	104.4%	84.1%	94.9%
ROAA (%)	0.5%	-2.5%	0.0%
ROAE (%)	5.7%	-34.3%	-1.4%
Advances to Deposit Ratio	77.8%	79.3%	84.7%
Liquid Assets to deposits & borrowings	28.0%	21.3%	20.9%

REGULATORY DISCLOSURES — Annexure II

Name of Rated Entity	Khushhali Microfinance Bank limited (KMBL)
Sector	Micro Finance Bank (MFB)
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
		RATING TYPE: ENTITY		
30/05/2024	A-	A-2	Rating Watch-Negative	Reaffirmed
28/04/2023	A-	A-2	Rating Watch-Negative	Downgrade
16/12/2022	A	A-2	Rating Watch-Developing	Downgrade
04/29/2022	A+	A-1	Rating Watch-Developing	Reaffirmed
04/30/2021	A+	A-1	Rating Watch-Developing	Reaffirmed
04/29/2020	A+	A-1	Rating Watch-Developing	Maintained
04/30/2019	A+	A-1	Stable	Reaffirmed
04/26/2018	A+	A-1	Stable	Reaffirmed
04/28/2017	A+	A-1	Stable	Reaffirmed
04/29/2016	A+	A-1	Stable	Reaffirmed
		RATING TYPE: PPTFC-I		
30/05/2024	B		Negative	Maintained
18/08/2023	B		Rating Watch - Negative	Harmonized
28/04/2023	B		Rating Watch-Negative	Downgrade
16/12/2022	BB-		Rating Watch-Developing	Downgrade
04/29/2022	A		Rating Watch-Developing	Reaffirmed
04/30/2021	A		Rating Watch-Developing	Reaffirmed
04/29/2020	A		Rating Watch-Developing	Maintained
04/30/2019	A		Stable	Reaffirmed
04/26/2018	A		Stable	Final
12/13/2017	A		Stable	Preliminary
		RATING TYPE: PPTFC-II		
30/05/2024	B		Negative	Maintained
18/08/2023	B		Rating Watch - Negative	Harmonized
28/04/2023	B		Rating Watch-Negative	Downgrade
16/12/2022	BB-		Rating Watch-Developing	Downgrade
04/29/2022	A		Rating Watch-Developing	Reaffirmed
04/30/2021	A		Rating Watch-Developing	Reaffirmed
04/29/2020	A		Rating Watch-Developing	Final
12/11/2019	A		Stable	Preliminary

Instrument Structure	Unsecured subordinated TFC amounting to Rs. 1.0b, having tenor of eight years.

	Unsecured subordinated TFC amounting to Rs. 1.4b, having a tenor of eight years.
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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information.

Due Diligence Meetings Conducted

	Name	Designation	Date
1	Mr. Saleem Akhtar Bhatti	CFO	29th April 2024
2	Mr. Aqeel Ahmed	CCO	29th April 2024