RATING REPORT

HBL Microfinance Bank Limited

(Formerly The First MicroFinanceBank Limited)

REPORT DATE:
April 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-1	A+	A-1
Rating Outlook	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Rating Date	*April 30th, '24*		*April 28th, '23*	

COMPANY INFORMATION

Incorporated in 2001	**External auditors:** KPMG Taseer Hadi & Co. Chartered Accountants Islamabad
Public Limited Unlisted Company	**Chairman of the Board**: Mr. Rayomond Kotwal **President & CEO**: Mr. Muhammad Amir Khan
Key Shareholders (with stake 5% or more) at end-December'2023:	
Habib Bank Limited (HBL): 79.92%	
Aga Khan Agency for Microfinance (AKAM): 12.06%	
Aga Khan Rural Support Programme (AKRSP): 4.46%	

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

HBL Microfinance Bank Limited

OVERVIEW OF THE INSTITUTION

HBL Microfinance Bank Ltd. (HBL MfB), was established in 2002 as a nationwide microfinance bank, licensed by the State Bank of Pakistan. Currently, HBL has a majority share-holding of 79.92% in HBL MfB. The Bank operates through a network of 225 business locations at end Dec'23.

Profile of Chairman

Mr. Rayomond Kotwal has over three decades of experience, having worked in senior finance roles. Mr. Kotwal also serves on the Boards of Habib Allied Holdings Limited – UK, HBL Bank – UK, and HBL Asset Management Limited, and is also a Member of the Board of Trustees of HBL Employee Funds and HBL Foundation.

Profile of CEO

Mr. Muhammad Amir Khan brings over 30 years of extensive experience in consumer and commercial banking. He has also served as the CEO of Mobilink Microfinance Bank where he played an instrumental role in setting up the new microfinance bank.

RATING RATIONALE

Rating Driver:

The ratings assigned to HBL MfB incorporates its strong ownership profile, as majority shareholding is vested with Habib Bank Limited (HBL) and the Aga Khan Development Network, with the latter possessing several years of multijurisdictional experience in microfinance. The ratings also take into account the favorable asset quality indicators, in a challenging economic environment. While there was a minor increase in gross infection, provision coverage increased concurrently and incremental infection has dropped. Investment portfolio, primarily comprising government securities, with high proportion of floating rate securities, also supports the bank credit and market risk profile. Downside risk is posed by weak economic indicators, especially inflation, which will continue to stress micro-credit borrowers' repayment ability, while keeping operating costs high. Spreads have narrowed in the past two years, however these are likely to recover as the portfolio is re-priced and further rate increases are not anticipated. Given a relatively longer portfolio duration, asset re-pricing trends maybe slower than peers. Nevertheless, sound asset quality and continued growth will ensure overall profitability improves in 2024.

Certain large related party deposits may, mitigate the otherwise high withdrawal risks potentially arising from significant concentration. Ready access to liquidity from parent Bank also supports overall liquidity risk profile. The Bank's capital adequacy ratio remains compliant with the minimum regulatory requirement, although the cushion remains marginal, despite the equity injection in 2022 and the issuance of subordinated debt in 2023. Demonstrated through an approval of an equity injection by the Parent in Apr'24, of up to Rs. 6.0b in the Bank and expected further sponsor support in future, as well as consistent track record of healthy profitability mitigates any concerns. Going forward, ratings will be contingent upon a largely maintained asset quality profile, given the still stressed economic climate in the country.

Auditor's Opinion

KPMG Taseer Hadi & Co. Chartered Accountants has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of December 2023.

About the Company:

HBL Microfinance Bank Ltd. ('HBL MfB' or the 'Bank'), formerly The First Microfinance Bank Ltd., Pakistan (FMfB) was incorporated in November 2001 as a public limited company under the Companies Ordinance, 1984. HBL MfB was established in February 2002 after receiving certificate of commencement of business as a nation-wide microfinance bank, licensed by the State Bank of Pakistan (SBP), The Bank was created through a structured transformation of the credit and savings section of the Aga Khan Rural Support Programme (AKRSP) with the mission to respond to poverty and contribute to the social and economic well-being of the society by providing opportunities to under-privileged households.

HBL MfB operates through 225 (Dec'22: 217) business locations, including branches and permanent booths. Currently, Habib Bank Limited (HBL) holds a majority shareholding in HBL MfB. In CY23, HBL MfB issued 100,000,000 right shares at the rate of Rs. 10 per share, resulting in an increase of HBL's shareholding to 79.92% (Dec'22: 76.42%) as of Dec'23.

Key Rating Drivers:

Experienced Board and Management Team

At Dec'23, the Board of Directors (BoD) at HBL MfB comprises eight members, including Chairman and President/CEO. The BoD is chaired by Rayomond Kotwal with over three decades of experience, having worked in senior roles in financial and corporate sector in Pakistan. Composition of the BoD is tabulated below:

Name	Position
Mr. Rayomond Kotwal	Chairperson
Ms. Rashna Minwalla	Independent Director
Mr. Zahir Riaz	Independent Director
Mr. Abrar Ahmed Mir	Director
Ms. Maya Inayat Ismail	Director
Ms. Sobia Chughtai	Director
Mr. Tsuyoshi Hara	Director
Mr. Muhammad Amir Khan	President/CEO

During CY23, four BoD meetings took place with satisfactory attendance of BoD members. Seven BoD committees are operating to maintain effective oversight - namely Board Audit Committee (BAC), Human Resource Committee (HRC), Board Risk and Compliance Committee (BRCC), Financial Inclusion Committee (FIC), Information Technology Committee (ITC), Board Remuneration Committee (BRC) and Rebranding Committee (RC).

During the outgoing year, several changes were noted in key senior management roles, with the Chief Financial Officer, and Chief Compliance Officer having been replaced, with the latter assignment being temporary. While all changes have been reported to be in the normal course of business, and the sector is characterized by high turnover, stability of the team is important for uninterrupted implementation of the business strategy.

Productivity Analysis and Branch Network

PRODUCTIVITY	CY21	CY22	CY23
No of loan Officers	1,905	1,826	1,747
No. of branches	213	217	225
No of active Borrowers	554,520	514,442	477,389
LOs/ Branch	8	8	7
Active Borrowers/ LO	291	281	273
Active Borrowers/ Branch	2,603	2,370	2,121
Average Loan Size (Rs.)	106,839.5	170,768.6	211,425.6

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, and places an increased burden on existing staff. Over the past three years, HBL MfB also faced a decline in the total number of Loan Officers (LOs) employed, with a decrease of 4.33% (CY22: 4.15%) in CY23, along with a decline in the number of active borrowers over the same period. Conversely, there has been growth in the number of branches, with 8 new branches commencing operations in CY23 (CY22: 4), resulting in decline in active borrower per branch as well as borrowers per LO. The decrease in the number of active borrowers can be attributed to several factors. Firstly, there is a decline in demand from individuals seeking loans, mainly due to their reduced repayment capacity amidst deteriorating economic conditions, and the rising benchmark rate. Additionally, the Bank has undertaken a strategic shift in its lending approach, focusing on lending to fewer but more creditworthy borrowers, with a significant increase in the average loan size since CY21. Therefore, a notable uptick in the Gross Loan Portfolio (GLP) has been noted, alongside decreasing borrowers, and coinciding with the inflationary pressures in the economy, necessitating larger loan amounts to meet borrower requirements adequately.

Microcredit Portfolio and Risk Segregations

The Bank's GLP experienced significant growth over the last three years, reaching Rs. 100.9b (Dec'22: Rs. 87.9b) by end of Dec'23, largely on target of Rs. 100.7b. Loan disbursements amounted to Rs. 64.3b (CY22: Rs. 71.4b), while loan recoveries amounted to Rs. 49.4b (CY22: Rs. 40.3b). HBL MfB aims to conclude CY24 with a conventional micro-credit portfolio of Rs. 115.4b.

Dominant products among the suite of services are Housing Finance, which has received impetus in recent periods, with the highest proportion in the first year of the loan cycle. While livestock finance has the highest proportion of mature loans in year 3 or more, its dominance in the portfolio is receding on a timeline, with a relatively higher PAR. Livestock Agriculture and Housing segments, collectively account for 87.4% of the total portfolio. Loans against government markup subsidy schemes for housing finance under Mera Pakistan Mera Ghar and financing schemes for farmers in rain/flood affected areas under the Kissan package 2022 decreased to Rs. 6.2b(Dec'22: Rs. 6.6b).

SEGMENTS (Rs. in M)	CY21	%	CY22	%	CY23	%
Livestock	23,034	38.9%	29,823	33.9%	36,303	36.0%
Agriculture	10,264	17.3%	15,152	17.2%	17,523	17.4%
Micro-enterprise	14,814	25.0%	13,721	15.6%	11,938	11.8%
Housing	10,643	18.0%	28,381	32.3%	34,348	34.0%
General purpose/Others	489	0.8%	775	0.9%	820	0.8%
Total	59,245		87,851		100,932	

In order to safeguard portfolio and avoid asset quality weakening amid the present economic difficulties, portfolio growth is expected to be driven by mortgaged based business under Housing segment along with property/agriculture passbook backed lending under agriculture & livestock products. Within the Housing and Livestock segments, products with guaranteed monthly cash-flow and EMI based repayment mode were prioritized by the Bank.

EMI VS BULLET (Rs. in M)	CY21	%	CY22	%	CY23	%
EMI	38,729	65.4%	62,554	71.2%	76,219	75.5%
Bullet	20,516	34.6%	25,296	28.8%	24,713	24.5%
Total	59,245		87,851		100,932	

The share of EMI increased to 75.5% (CY22: 71.2%), whereas the proportion of bullet loans decreased to 24.5% (CY22: 28.8%) by end of CY23. This is in line with the management plan to increase the proportion of EMI loans to 75% by end of CY23. The higher proportion of EMI is a factor of increased contribution of Housing loans to GLP entailing monthly installments. Going forward, the management plans to increase the proportion of EMI loans by end of CY'24 owing to high repayment risk associated with bullet lending, especially given the prevailing economic downturn.

SECURED VS UNSECURED (Rs. in M)	CY21	%	CY22	%	CY23	%
Secured Loans	21,554	36.4%	38,004	43.3%	51,489	51.0%
Unsecured Loans	37,691	63.6%	49,846	56.7%	49,443	49.0%
Total	59,245		87,850		100,932	

The proportion of secured loans also increased during the outgoing year; the same was largely a function of increased focus on housing portfolio.

GROUP VS INDIVIDUAL (Rs. in M)	CY21	%	CY22	%	CY23	%
Group Based	4,565	7.7%	2,904	3.3%	1,042	1.0%
Individual	54,680	92.3%	84,947	96.7%	99,890	99.0%
Total	59,245		87,851		100,932	

The management continued its policy of shifting from group-based loans to individual loans with target of keeping the group loan proportion lower than 5% of the total loan portfolio. In line with materialization of the target, the proportion of group loans reduced to 1.0% (CY22: 3.3%) of overall GLP. The Bank has curtailed group lending to mitigate associated enhanced credit risk.

SIZE-WISE COMPOSITION (Rs. in M)	CY21	%	CY22	%	CY23	%
Upto Rs. 25,000	1,010	1.7%	131	0.1%	51	0.1%
Rs. 25,000 - Rs. 50,000	5,395	9.1%	1,904	2.2%	1,102	1.1%
Rs. 50,001-Rs. 75,000	7,172	12.1%	4,334	4.9%	2,512	2.5%
Rs. 75,001-Rs. 100,000	9,011	15.2%	9,337	10.6%	6,103	6.0%
Rs. 100,000 and Above	36,657	61.9%	72,145	82.1%	91,164	90.3%
Total as of Dec'23	59,245		87,851		100,932	

Management estimated that the average term of the outstanding loan portfolio stood at 26.3 months (Dec'22: 16.1 months) based on the remaining average tenure of outstanding loans as of Dec'23. The proportion of loan sizes ranging from Rs. 100,000 and above experienced a notable surge within the total portfolio. This is in line with the management strategy of migrating clients to higher ticket size loans, as well as growth through larger ticket size enterprise and housing loans. This increase in average loan size over time can also be attributed to the SBP's adjustment of the maximum regulatory credit limits for housing and enterprise loans, from Rs. 1.0mn to Rs. 3.0mn.

Asset Quality Indicators

PORTFOLIO AT RISK RATIO (Rs. in M)	CY22	PAR %	CY23	PAR %
Normal and Watchlist	85,709		98,190	
OAEM	630	0.72%	694	0.69%
Sub-Standard	372	0.42%	415	0.41%
Doubtful	608	0.69%	813	0.81%
Loss	531	0.60%	820	0.81%
Gross Advances and PAR	87,850	2.44%	100,932	2.72%

As of Dec'23, 97.3% (Dec'22: 97.6%) of GLP is considered good while the rest is categorized as doubtful. Non-performance has risen, though marginally, as evidenced by an uptick in the Portfolio at Risk Ratio across all categories, notably Loss category.

PRODUCTS	Outstanding loans (Rs. in M)	%	PAR	Loan cycle 1	Loan cycle 2	Loan cycle 3
Housing Finance	25,369	25.1%	0.9%	20,847	9,366	10,862
Livestock Finance	24,082	23.9%	4.6%	18,624	17,646	161,826
Roshanzar Plus	15,385	15.2%	2.2%	10,234	6,195	7,914
Roshanzar Premium	9,666	9.6%	0.8%	3,570	1,610	1,867
Pension Loan	8,281	8.2%	1.6%	21,030	12,288	21,098

On a similar note, non-performing Loans (NPLs) decreased as at Dec'22, however then witnessed an increase totaling Rs. 2.7b (Dec'22: Rs. 2.1b) as at Dec'23. Consequently, gross infection rate deteriorated slightly to 2.7% (CY22: 2.4%), while the net infection rate remained stable at 1.4% (CY22: 1.4%) owing to commensurate provisioning. The advances written off against provisions and bad debt directly charged to profit & loss were reported lower at the end of CY23, amounting to Rs. 1.8b (CY22: Rs. 2.7b)reflecting a reduction in new infection rate to 2.6% (CY22: 3.4%) by the end of CY23, and indicative of the rate of new loans becoming non-performing having slowed.

	CY21	CY22	CY23
NPLs (Rs. in M)	2,331.7	2,141.7	2,742.5
Gross Infection	3.9%	2.4%	2.7%
Net Infection	2.1%	1.4%	1.4%
Incremental Infection	4.8%	3.4%	2.6%
Specific Provisioning Coverage	46.7%	42.7%	48.7%
Provisioning Coverage	101.7%	115.5%	124.3%
Net NPLs/Tier 1 Equity	14.4%	10.9%	12.1%

At the end of Dec'23, Rescheduled Loans increased to Rs. 2b (Dec'22: Rs. 1.4b). This aligns with the State Bank of Pakistan's (SBP) extension of regulatory relief, which encouraged Microfinance Banks (MfBs) to reschedule/restructure loans of flood-affected borrowers for up to one year and extend fresh financing in flood-affected areas. Out of HBL MfB's 225 locations, 55 locations are situated in affected areas, declared as calamity-hit by the Government.

Provisioning coverages, both specific and total, increased during the outgoing year. The increase in general provision coverage reflects the conservative approach of the management. This led to an incremental general provision of. 1.1b (CY22: Rs. 0.7b) in addition to the statutory requirement of 1%, taking general provision coverage to over 2%. The rise in specific provision coverage is primarily attributable to the increase in Doubtful and Loss category exposures requiring higher provisions. The ratio of Net NPLs to tier-1 capital increased to 12.1% (CY22: 10.9%) as a result of the increase in NPLs by the end of CY23. Credit risk associated with the investment portfolio is deemed low, as government securities comprised 100.0% (Dec'22: 100.0%) of the investment portfolio as at the end of Dec'23, while bank placements were also maintained in institutions rated AA-/A1+ on an average.

Market Risk

HBL Microfinance Bank's investments includes only Federal Government Securities, with a significant emphasis on MTBs and PIBs, where PIBs comprise a dominant part. Within the total PIB portfolio, Rs. 3.9b (Dec'22: Rs. 2.6b) are Held to Maturity (HTM) at amortized cost, and immune to mark-to-market losses. However, the Available for Sale (AFS) PIBs' portfolio amounting to Rs. 13.5b, includes Rs. 2.6b fixed rate instruments. The deficit on revaluation of federal securities under AFS stood at Rs. 162.5m (CY22: Rs. 302.7m) in CY23. Compared to Dec'22, securities under Held For Trading (HFT) increased significantly to Rs. 5.8b (Dec'22: Nil) in MTBs and Rs. 1.4b (Dec'22: Nil) in PIBs, while the gain on revaluation of federal securities under HFT was recorded at Rs. 1.4m (CY22: -17.7m) at end of the CY23. To mitigate the risk associated with interest rate volatility, the Bank has taken steps such as investing in floating rate securities instead of fixed rate securities. Consequently, the proportion of floating rate PIBs increased to 80% (Dec'22: 65%), amounting to Rs. 15.4b (Dec'22: Rs. 8.8b) out of the total Rs. 18.9b at the end of Dec'23. Overall, the market risk stemming from the investment portfolio is relatively manageable, due to the substantial amount of floaters held.

Liquidity and Leverage Profile

By the end of Dec'23, the deposit base had expanded, continuing to serve as the primary funding source for the Bank. This growth was primarily due to a rise in individual deposits, which came to comprise 27.7% (Dec'22: 24.5%) of total deposits. Institutional deposits continued to dominate the depositor profile, mostly led by bank and FI deposits which remained the most sizable source at 43.6% (Dec'22: 44.1%) of total deposits. The high proportion of FI deposits, renders the funding base cost sensitive and vulnerable to withdrawal risk. This is also exemplified by depositors' concentration, with top 10 depositors accounting for 45.9% (CY22: 49.9%) of total deposits.

(Rs. in M)	CY22	%	CY23	%
Individual Depositors	28,388.9	24.5%	35,490.5	27.7%
Institutional Depositors:	87,674.5	75.5%	92,743.3	72.3%
- ***Corporates/Firms***	*36,488.3*	*31.4%*	*36,803.1*	*28.7%*
- ***Banks and Financial Institutions***	*51,186.2*	*44.1%*	*55,940.2*	*43.6%*
Total (In Rs. M)	116,063.4		128,233.7	

The Liquid Assets to Deposits and Borrowings (LADB) ratio experienced a decrease to 33.2% (CY22: 35.9%), as of Dec'23, reflecting the higher allocation of funds toward the micro-credit portfolio as part of the growth strategy implemented during the year. When viewed in the context of a concentrated funding base, liquidity risk is considered moderate; however the largest funding relationship is with a related party, which is expected to remain supportive of the Bank's liquidity risk profile. Moreover as one of the largest banks in the country, the Bank's sponsor is able and likely to provide liquidity support to HBL MfB on an as and when needed basis.

(Rs. in M)	CY21	CY22	CY23
Liquid Assets	44,105.8	44,790.7	45,673.0
Deposits	91,362.6	116,063.4	128,233.7
Borrowing	2,883.0	6,571.2	6,515.8
Sub-Ordinated Debt	2,000.0	2,000.0	2,825.0
Liquid Assets to Deposits and Borrowings (LADB)	45.8%	35.9%	33.2%
Advances to Deposits (ADR)	64.8%	75.7%	78.7%
CA (%)	6.4%	6.5%	6.3%
CASA (%)	51.6%	59.3%	61.0%
Liquid Assets/ TA	40.1%	31.4%	28.7%

As of Dec'23, total borrowings experienced a marginal decrease. Borrowings from Banks and Financial Institutions declined to Rs. 4.7b (Dec'22: Rs. 6.6b). This reduction was partially offset by borrowing from the State Bank of Pakistan (SBP), amounting to Rs. 1.8b (Dec'22: Nil). This included the Term Finance Facility aimed at disbursing funds to borrowers in flood-affected areas and easing liquidity constraints for microfinance borrowers.

Profitability Indictors

HBL MfB remained profitable though with lower net earnings at Rs. 0.4b (CY22: Rs. 1.2b) in CY23 due to narrower markup spreads, higher provisioning expenses, and increased administrative overheads. Similarly, the Operational Self-Sufficiency (OSS) ratio deteriorated over the year, reaching 101.9% (CY22: 107.4%) in CY23. This decline signifies a deficit between incremental recurring incomes over incremental recurring expenses, primarily driven by the uptick in administrative costs.

The markup earned on advances surged to Rs. 28.3b (CY22: Rs. 19.8 b) in CY23, primarily driven by quantum increase in performing advances, which was further supported by a higher yields on advances at 30.7% (CY22: 27.7%). Additionally, markup earned on Investments in Government Securities also rose to Rs. 3.9b (CY22: Rs. 2.3b) despite a decrease in the investment amount and also reflecting improved average yield on Investments in Government Securities, reaching 13.4% (CY22: 10.6%), owing to the rise in prevailing benchmark rates. Consequently, Return on Markup Bearing Assets increased to 26.8% (CY22: 22.7%). However, the cost of funding climbed at a higher pace to 17.2% (CY22: 12.4%) in CY23, since the proportion of deposits have increased in total funding and cost of deposits faced an uptick in CY23. This resulted in lower spreads at 9.7% (CY22: 10.3%), with net mark-up/interest income experiencing only marginal growth to Rs. 10.7b (CY22: Rs. 10.4b) in CY23. While non-markup income remained supportive of the revenue profile and trended up, the increase remained measured.

On the other hand, administrative expenses surged to Rs. 9.8b (CY22: Rs. 8.1b), which is reflective of inflationary impact on overheads, resulting in a decline in core profits for the year. Meanwhile, provision for NPLs also increased to Rs. 2.8b (CY22: Rs. 2.3b) for the year.

With expected asset losses on a decline and inflationary impacts likely to begin tapering off by the end of the year, in addition to the positive effects of ongoing re-pricing of assets, will likely rehabilitate spreads and overall profitability to levels similar to previous years..

Capitalization

The Tier-1/Total equity of the Bank slightly increased to Rs. 11.6b as of Dec'23 (Dec'22: Rs. 11.3b), primarily driven by increasing balances of unappropriated profit. Total Eligible Capital rose to Rs. 16.3b (Dec'22: Rs. 14.9b), primarily due to the issuance of Subordinated Debt Instruments amounting to Rs. 850m to support the Capital Adequacy Ratio (CAR). In 2023, HBL MfB had received the approval of SBP to issue up to Rs. 1.5b (inclusive of green shoe option of Rs. 0.5b) unsecured and subordinated TFCs to support CAR as per the regulations of MfBs. The remaining portion has been received post year-end and will provide CAR of 15.5% as it is phased into eligible capital. With business growth, risk assets increased to Rs. 106.4b (Dec'22: Rs. 90.6b). Therefore, the Bank's CAR was reported at 15.3% (Dec'22: 16.4%) at the end of Dec'23, slightly above the minimum regulatory requirement of 15.0% for MfBs, although the cushion remains marginal.

Growth is likely to remain cautious in view of the challenging economic circumstances. Meanwhile our prognosis for improved earnings is expected to allow capital adequacy to remain sufficient in the near-term. Sponsor support may be relied upon if required.

HBL Microfinance Bank Limited (HBL MfB) Annexure I

FINANCIAL SUMMARY	*(amounts in PKR millions)*		
BALANCE SHEET	**Dec 31, 2021**	**Dec 31, 2022**	**Dec 31, 2023**
Cash and Bank Balances with SBP and NBP	6,344.0	13,160.8	13,461.0
Balances with other Banks and/NBFIs/MFBs	24,032.2	1,235.3	4,658.5
Net Investments	13,729.6	30,394.6	27,553.5
Net Advances	56,872.4	85,376.6	97,524.6
Other Assets	5,009.4	7,039.3	10,522.7
Total Assets	110,020.6	142,525.8	159,374.8
Total Deposits	91,362.6	116,063.4	128,233.7
Borrowings	2,883.0	6,571.2	6,515.8
Subordinated Debt	2,000.0	2,000.0	2,825.0
Other Liabilities	3,691.6	4,664.9	7,585.8
Paid Up Capital	4,730.8	5,730.8	6,730.8
Tier-1 Equity	8,650.6	11,254.0	11,635.8
Net Worth	10,083.3	13,226.4	14,214.5
INCOME STATEMENT	**CY 2021**	**CY 2022**	**CY 2023**
Net Mark-up Income	8,981.7	10,419.1	10,731.6
Net Provisioning / (Reversal)	1,884.3	2,337.4	2,782.0
Non-Markup Income	1,430.5	2,108.8	2,548.1
Operating Expenses	6,269.6	8,145.1	9,824.3
Profit Before Tax	2,258.3	1,801.6	673.4
Profit after tax	1,556.2	1,225.0	405.3
RATIO ANALYSIS	**CY 2021**	**CY 2022**	**CY 2023**
Gross Infection (%)	3.9%	2.4%	2.7%
Incremental Infection (%)	4.8%	3.4%	2.6%
Provisioning Coverage – Total (%)	101.7%	115.5%	124.3%
Provisioning Coverage – Specific (%)	46.7%	42.7%	48.7%
Net Infection (%)	2.1%	1.4%	1.4%
Net NPLs to Tier-1 Capital (%)	14.4%	10.9%	12.1%
Capital Adequacy Ratio (%)	17.0%	16.4%	15.3%
Markup on earning assets (%)	19.2%	22.7%	26.8%
Cost of Funds (%)	7.8%	12.4%	17.2%
Markup Spreads (%)	11.5%	10.3%	9.7%
OSS (%)	115.6%	107.4%	101.9%
ROAA (%)	1.7%	1.0%	0.4%
ROAE (%)	21.9%	12.3%	4.2%
Advances to Deposit Ratio (%)	64.8%	75.7%	78.7%
Liquid Assets to deposits & borrowings (%)	45.8%	35.9%	33.2%

REGULATORY DISCLOSURES — Annexure III

Name of Rated Entity	HBL Microfinance Bank Limited – HBL MfB *(Formerly: The First MicroFinanceBank Pakistan (FMfB)*
Sector	Microfinance Bank (MfB)
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: ENTITY		
30/04/2024	A+	A-1	Stable	Reaffirmed
28/04/2023	A+	A-1	Stable	Reaffirmed
30/04/2022	A+	A-1	Stable	Maintained
30/04/2021	A+	A-1	Rating Watch-Developing	Reaffirmed
30/04/2020	A+	A-1	Rating Watch-Developing	Maintained
25/03/2019	A+	A-1	Stable	Reaffirmed
30/04/2018	A+	A-1	Stable	Reaffirmed
31/10/2017	A+	A-1	Stable	Reaffirmed
28/04/2017	A+	A-1	Stable	Reaffirmed
28/04/2016	A+	A-1	Stable	Upgrade

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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Due Diligence Meeting/s Conducted

Name	Designation	Date
Mr. Ali Raza Anjum	Chief Operating Officer	05th April 2024
Mr. Rizwan Maqsood	Chief Financial Officer	05th April 2024
Mr. Shahid Abbasi	Chief Risk Officer	05th April 2024