

HOUSE BUILDING FINANCE COMPANY LIMITED

Analyst:

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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 17, 2026		June 27, 2025	

Shareholding (5% or More)

State Bank of Pakistan - 90.31%

Government of Pakistan - 9.69%

Other Information

Incorporated in 2006

Unlisted Public Limited Company

Chairman: Qasim Nawaz

Managing Director/ CEO: Abdul Qayum Malik

External Auditor: BDO Ebrahim & Co. Chartered Accountants

Applicable Rating Methodology

Applicable Rating Criteria: Government Supported Entities

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

Financial Institution

<https://docs.vis.com.pk/Methodologies-2026/FI-Methodology-26.pdf>

Rating Scale

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

Rating Rationale

House Building Finance Company Limited ('HBFC' or 'the DFI') is owned by the Government of Pakistan (GoP) directly and indirectly through State Bank of Pakistan (SBP). The sovereign ownership of HBFC, along with historically demonstrated track record of financial support to the entity, translates into strong sponsor support factors, which has been incorporated in the assigned rating.

The ratings further draw comfort from HBFC's strong capitalization and liquidity profile, supported by a sizeable stock of liquid assets and low leverage. Legacy impaired assets have been fully provided for, resulting in a low-risk portfolio. Non-performing loans remained contained, while provisioning provided adequate coverage. Investments in treasury securities dominate the Company's asset book and significantly limits credit risk while providing strong liquidity support. During the review period, profitability moderated due to the declining interest rate environment, which compressed asset yields and reduced spreads. Nevertheless, revenue generating capacity remained largely intact and continued to support internal capital generation.

The ratings further take into account recent policy initiatives aimed at supporting housing finance in Pakistan. In particular, the enhancement of financing limits under the government-backed housing schemes, including the Ghar Ho Tou Apna (GHATA) program, is expected to improve affordability and expand the borrower base. Other government-supported housing initiatives are expected to support future disbursement growth and strengthen HBFC's role in facilitating access to formal housing finance for underserved segments of the population.

Going forward, the ratings will remain dependent on HBFC's ability to expand its housing finance portfolio while maintaining asset quality, profitability, and capitalization indicators. Progress on ongoing privatization efforts, along with the DFI's ability to capitalize on government-

led housing finance initiatives will also remain important rating considerations.

Company Profile

House Building Finance Company Limited ('HBFC' or 'the DFI') is a Development Finance Institution (DFI) engaged in financing for construction, purchase and renovation of houses. The DFI was established in 1952 by the Government of Pakistan (GoP). It was corporatized in 2006 and is now an unlisted public limited company. The DFI is operating with a network of 51 branches, 3 Regional offices and a Head-office based in Karachi.

HBFC is currently listed for active privatization under the GoP's ongoing program. After receiving the single bid from PMRC, which was significantly below the referenced price, and was therefore rejected, the privatization process has been reinitiated. As of May 2026, the Privatization Commission had initiated the process for the appointment of a sell-side financial advisor, with five parties having submitted bids. The evaluation process is currently underway and the final appointment has yet to be made. Following the technical evaluation, financial bids will be opened, with completion of the advisor selection process expected within the next two months. Upon appointment, the sell-side advisor will undertake comprehensive due diligence and prepare the transaction structure and requisite privatization documentation. Subsequently, invitations will be issued to prospective strategic investors/sponsors, who will be granted access to conduct their own due diligence. Following completion of the buy-side due diligence process, qualified investors will be invited to submit binding bids, after which the transaction will proceed to the final evaluation and approval stages.

AUDITOR'S OPINION

The CY25 financial statements were audited by BDO Ebrahim & 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
State Bank of Pakistan	90.31	The State Bank of Pakistan is the primary regulator of the banking sector. SBP's sponsorship of HBFC provides a strong institutional linkage with the sovereign and aligns HBFC's mandate with national policy objectives for housing finance and financial inclusion. Given SBP's role in sectoral policy development, regulatory oversight, and long-term financial system deepening, its association is viewed as a key strength in HBFC's sponsor profile, particularly in supporting the institution's strategic relevance within Pakistan's housing finance market.
Government of Pakistan	9.69	One representative on BoD.

Management and Governance

BOARD OF DIRECTORS OVERVIEW

NAME	POSITION
Qasim Nawaz	Independent Director/ Chairman
Abdul Qayum Malik	MD and CEO (Interim Basis)
Muneeb Zia	Independent Director
Mahfuz-Ur-Rehman Pasha	Independent Director/ Nominee MoF
Rana Obaidullah Anwar	Non-Executive Director

Board of Directors (BoD) include six members (Including the CEO and Chairman). One member is a non-executive director and a representative of MoF whereas all remaining members are Independent Directors. A new CEO was appointed during the review period. Six board meetings were held with full attendance.

HBFC 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.

MANAGEMENT

HBFC's management team is led by Abdul Qayum Malik, who has been appointed as CEO on an interim basis, he possesses over 34 years of experience spanning local and international banking experience in Banking Operations and Compliance. During the review period, the organizational structure was strengthened through the establishment of a dedicated Compliance function, reflecting the institution's continued focus on governance and risk oversight. The current structure comprises support functions including Human Resources, Compliance, Risk Management, and Credit & Legal, alongside core business functions such as Credit Management, Business, Operations, Finance, Information Technology, and Treasury & Fund Management. All functional heads report directly to the MD/CEO.

The legal function is also expected to be separated into an independent department, with recruitment for the Group Head currently underway. Additionally, a new Group Head - Human Resources & Administration was appointed during the review period, further enhancing the management framework.

CHAIRMAN/CEO PROFILE

Profile of Chairman: Mr. Qasim Nawaz has over 35 years of experience with the State Bank of Pakistan, where he held several senior positions, including Executive Director and Managing Director of SBP Banking Services Corporation. His career included responsibilities across banking supervision, human resources, currency management, foreign exchange operations, government banking, and policy development for SME, microfinance, housing, infrastructure, industrial and trade finance. He also served on various SBP committees and boards, including SBP BSC, Pakistan Security Printing Corporation, and the National Institute of Banking and Finance. During his tenure, he contributed to institutional automation, knowledge management initiatives, and negotiations with multilateral agencies, including the Asian Development Bank and DFID. Mr. Nawaz holds an MBA from Quaid-e-Azam University and DAIBP from the Institute of Bankers Pakistan.

Profile of CEO/ Managing Director: Mr. Abdul Qayum Malik has more than 34 years local and international banking experience in Banking Operations and Compliance. He is serving as director in various public sector companies. Mr. Malik has successful track record of managing deposit mobilization and retention. He graduated from Punjab University, Lahore and is a Certified Director.

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 1: Asset Mix (In PKR Millions)

ASSET MIX	Dec-24	%	Dec'25	%	1QCY26	%
Cash and balances with treasury banks	28.6	0.0%	67.1	0.2%	40.4	0.1%
Balances with other banks	95.5	0.1%	360.2	0.9%	116.3	0.3%
Lending to financial institutions	-	0.0%	-	0.0%	180.1	0.4%
Total Investments	53,389.5	72.5%	19,976.0	49.5%	19,834.1	48.6%
Advances	12,368	17.2%	12,002.2	29.8%	12,068.5	29.6%
Operating fixed assets	765.5	1.0%	623.4	1.5%	613.8	1.5%
Intangible assets	50.2	0.1%	41.2	0.1%	38.2	0.1%
Deferred tax assets	-	0.0%	-	0.0%	-	0.0%
Other assets	6,922	9.0%	7,266.5	18.0%	7,904.7	19.4%
TOTAL ASSETS	73,619.9	1.0	40,336.5	1.0	40,796.1	1.0

HBFC's asset base remained broadly stable at PKR 40.8bn at end-1QCY26 (CY25: PKR 40.3bn), following a contraction from PKR 73.6bn at end-CY24, as the bank shed its positions in the treasury market, which offered profitable arbitrage opportunities prior to 2025, given the interest rate environment in the country. Investments continued to form the largest component of the asset base at 48.6% (CY25: 49.5%; CY24: 72.5%), while the proportion of advances remained range bound at 29.6% (CY25: 29.8%; CY24: 17.2%) mainly due to the reduction in overall asset size rather than any material growth in the loan book. However, with an exit from a consolidation strategy, the company has entered a growth phase and plans to significantly enhance disbursements in the current year.

HBFC's other assets amounting to PKR 7.9bn at end-1QCY26 (CY25: PKR 7.3bn), include retirement and other service benefits of PKR 5.6bn (CY25: PKR 5.4bn). Income/markup accrued in local currency increased to PKR 1.6bn (CY25: PKR 953.7mn), primarily comprising accrued

income on advances of PKR 804.4mn (CY25: PKR 684.1mn) and investments of PKR 802.0mn (CY25: PKR 269.6mn). Other components included deferred employee compensation of PKR 314.0mn (CY25: PKR 306.6mn), advance taxation of PKR 312.2mn (CY25: PKR 476.6mn), and advances, deposits and prepayments of PKR 121.9mn (CY25: PKR 113.4mn).

CREDIT RISK

HBFC's major disbursements of PKR 1.5bn (CY24: PKR 726.5mn) are concentrated in Punjab region (CY25: 64.6%; CY24: 63.9%) followed by KPK (CY25: 12.4%; CY24: 10.8%) as at end-Dec'25. As per management, the DFI is projecting disbursements of PKR 4.0bn for CY26 and currently has made over PKR 1.0bn in disbursements as at May'26.

Table 2: Disbursements (In PKR Millions)

DISBURSEMENTS	2024	%	2025	%
Punjab	464.3	63.9%	950.2	64.6%
Sindh	63.1	8.7%	142.9	9.7%
KPK	78.4	10.8%	183.1	12.4%
Baluchistan		0.0%	6.1	0.4%
Islamabad	80.1	11.0%	35.3	2.4%
AJK including Gilgit Baltistan	40.7	5.6%	154.1	10.5%
Total	726.5	1.00	1,471.7	1.00

HBFC's gross advances remained broadly stable at PKR 14.5bn at end-1QCY26 (CY25: PKR 14.5bn; CY24: PKR 15.2bn). Product-wise, exposure continued to be concentrated in the Mera Pakistan Mera Ghar scheme, although its share declined to 33.0% at end-1QCY26 (CY25: 34.1%; CY24: 36.6%), followed by Ghar Aasan Flexi at 32.9% (CY25: 32.9%; CY24: 27.9%). The Ghar Pakistan scheme also declined to 9.7% of gross advances (CY25: 10.2%; CY24: 11.6%). During CY25, HBFC introduced the Mera Ghar Mera Ashiyana scheme, which accounted for 2.1% of gross advances by end-1QCY26. Overall, the advances mix indicates a largely stable but concentrated portfolio, with no material growth observed across the major schemes during the review period.

GROSS ADVANCES	2024	%	2025	%	1QCY26	%
Rental Sharing Scheme	1,059.7	7.0%	1,028.7	7.1%	1,022.6	7.0%
Ghar Aasan Scheme	725.7	4.8%	615.3	4.2%	595.0	4.1%
Ghar Aasan Flexi	4,232.2	27.9%	4,765.0	32.9%	4,790.9	32.9%
Ghar Pakistan Scheme	1,758.1	11.6%	1,472.5	10.2%	1,405.7	9.7%
Ghar Pakistan Plus	1,060.0	7.0%	877.2	6.1%	837.5	5.8%
Mera Pakistan Mera Ghar	5,557.6	36.6%	4,938.0	34.1%	4,801.7	33.0%
Mera Ghar Mera Ashiyana		0.0%	31.7	0.0%	300.7	2.1%
Employee Loans	555.0	3.7%	581.6	4.0%	606.2	4.2%
Total excluding other schemes	14,948.3	98.4%	14,310	98.6%	14,360.3	98.7%
Other Schemes	241.4	1.6%	199.7	1.4%	189.7	1.3%
Gross Advances	15,189.74	100.0%	14,509.6	100.0%	14,549.95	100.0%

PROFITABILITY

Table 3: Profitability Metrics

PROFITABILITY INDICATORS	Dec-23	Dec-24	Dec'25	1QCY26
ROAA	4.84%	3.50%	3.15%	4.01%
ROAE	9.09%	7.93%	5.74%	5.00%
Net Interest Margin (PKR Millions)	4,775.5	5,300.9	4,375.8	937.4
Spread	-1.3%	2.9%	1.3%	3.1%
Average Return on Earning Assets	23.5%	18.4%	15.7%	13.4%
Cost of Funding	24.7%	15.5%	14.4%	10.3%
Efficiency Ratio	38.0%	30.4%	38.3%	42.1%

HBFC's markup income declined by 26.6% to PKR 7.7bn during CY25 (CY24: PKR 10.6bn), in line with the declining interest rate environment and lower average return on earning assets, which reduced to 15.7% (CY24: 18.4%). The decline reflects the repricing of the DFI's earning asset base, particularly investments and advances, amid lower benchmark rates. Markup expense also declined to PKR 3.4bn (CY24: PKR 5.3bn), supported by a lower cost of funding of 14.4% (CY24: 15.5%); however, the reduction in funding cost was comparatively slower than the decline in asset yields. Consequently, net markup income decreased to PKR 4.4bn during CY25 (CY24: PKR 5.3bn), while spread narrowed to 1.3% (CY24: 2.9%), indicating pressure from asset-liability repricing mismatch during the review period.

Total non-markup income increased to PKR 220.4mn (CY24: PKR 139.2mn), mainly supported by gain on sale of securities amounting to PKR 92.5mn (CY24: PKR 0.2mn), while other income stood at PKR 126.4mn (CY24: PKR 136.5mn). Administrative expenses increased to PKR 1.7bn (CY24: PKR 1.6bn), resulting in a weaker efficiency ratio of 38.3% (CY24: 30.4%). Provisioning reversals increased to PKR 314.4mn (CY24: PKR 34.1mn), primarily relating to performing loans and advances. Despite this, profit before taxation declined to PKR 3.2bn (CY24: PKR 3.8bn), while profit after taxation reduced to PKR 1.8bn (CY24: PKR 2.3bn).

During 1QCY26, HBFC reported net markup income of PKR 937.4mn, with spread improving to 3.1% as cost of funding declined to 10.3%. Profit after taxation stood at PKR 406.7mn. We expect profitability to moderate in case of adverse changes to interest rates, although expected business growth may result in gradual improvement in core earnings generation capacity.

Financial Risk

ASSET QUALITY

Table 4: Asset Quality Indicators

Asset Quality indicators (PKR Million)	Dec-23	Dec-24	Dec'25	1QCY26
Gross Advances	17,097.3	15,189.7	14,509.6	14,550.0
NPLs	2,745	2,621	2,392	2,435
Gross Infection	16.1%	16.94%	16.48%	16.73%
Net Infection	-0.47%	-1.58%	-0.96%	-0.39%
Stage 3	2,584.7	2,604.9	2,397.3	2,440.2
Stage 1 and 2	235.5	216.5	110.2	41.2
Total Provisions	2,820.2	2,821.5	2,507.5	2,481.5
Specific Provisioning Coverage	93.9%	99.4%	100.2%	100.2%
General Provisioning Coverage	1.6%	1.7%	0.9%	0.3%
Total Provisioning Coverage	102.4%	107.6%	104.8%	101.9%
Net Advances	14,277	12,651	12,002	12,068
Net Infection* (Net NPL to Net Advances)	1.2%	0.13%	-0.05%	-0.05%

HBFC's asset quality indicators remained broadly stable, with non-performing loans declining to PKR 2.4bn at end-CY25 (CY24: PKR 2.6bn) and remaining at a similar level at end-1QCY26. These NPLs pertained to both current and legacy portfolios. Segment-wise breakup shows higher NPLs in Rental sharing schemes, Ghar Asaan Flexi scheme and Ghar Asaan Scheme.

Gross infection stood at 16.7% at end-1QCY26 (CY25: 16.4%; CY24: 16.9%), reflecting limited movement in both gross advances and NPLs. Net infection remained negative at -0.05% (CY25: -0.05%; CY24: 0.13%), supported by provisioning levels exceeding net NPL exposure. Specific provisioning coverage improved to 100.2% at end-CY25 (CY24: 99.4%) and remained stable at end-1QCY26, while total provisioning coverage moderated to 101.9% (CY25: 104.8%; CY24: 107.6%) due to lower general provisions. Overall, the DFI's asset quality profile reflects contained NPL levels, adequate provisioning coverage, and limited incremental deterioration during the review period.

INVESTMENT PORTFOLIO

Table 5: Investment Portfolio (Amount in Millions)

INVESTMENT PORTFOLIO	Dec-24	%	Dec'25	%	1QCY26	%
Federal Government Securities	53,326.3	99.9%	19,849.5	99.4%	19,707.6	99.4%
PIBs	47,084.3	88.2%	19,849.5	99.4%	19,707.6	99.4%
T-Bills	6,242.0	11.7%	-	0.0%	-	0.0%
Listed Companies						
Unlisted Companies	63.3	0.1%	126.5	0.6%	126.5	0.6%
TOTAL	53,389.5		19,976.0		19,834.1	

HBFC's carrying value investment portfolio marginally declined to PKR 19.8bn (CY25: PKR 20.0bn) as at end-March'26 manifested in lower value of Pakistan Investment Bonds (PIBs). The investment portfolio remains heavily concentrated in PIBs, which accounted for approximately 99.4% of total investments as of March'26, resulting in minimal credit risk. The entire PIB portfolio comprises floating-rate instruments, thereby providing protection against adverse movements in interest rates and mitigating mark-to-market losses arising from rising yield environments. The portfolio's weighted average modified duration of 0.36 as of Dec'25 indicates limited sensitivity to interest rate fluctuations.

LIQUIDITY

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

LIQUIDITY INDICATORS	Dec-23	Dec-24	Dec'25	1QCY26
Liquid Assets to Borrowings	130.4%	131.0%	422.6%	396.4%
Liquid Assets to Borrowings (Adjusted for Repo and Collateral)	457.8%	578.5%	833.0%	823.3%
Liquid Assets	34,279.7	53,513.7	20,403.3	20,170.9
Borrowings	26,278.2	40,853.7	4,828.3	5,088.9
Repo Borrowings	24,462.3	39,137.4	3,251.5	3,548.9
Other Borrowings	1,815.9	1,716.2	1,576.8	1,540.0
Liquidity Coverage Ratio (LCR)	838434.8%	1135543.1%	643862.3%	489103.5%
Net Stable Funding Ratio (NSFR)	233.0%	302.0%	219.0%	231.0%

HBFC's liquid assets reduced on a timeline to PKR 20.2bn (CY25: PKR 20.4bn; CY24: PKR 53.3bn), primarily driven by a decline in investment portfolio. On the liability side, borrowings comprised 62.3% (CY25: 61.0%) of the total liabilities and these include Repo borrowings amounting to PKR 3.5bn (CY25: PKR 3.3bn) which are collateralized by federal government, followed by PKR 1.5bn (CY25: PKR 1.5bn) borrowings from Pakistan Mortgage Refinance Company. After adjusting for repo-backed borrowings and collateralized investments amounting to PKR 20.0bn (CY25: 20.0bn), the Liquid Assets relative to borrowings was recorded at 823.3% (CY25: 833.0%) as at March'26. Both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) reflect strong liquidity positions.

While the maturity profile reflects a negative gap of PKR 1.4bn in the up-to-one-month bucket, the risk is mitigated by the DFI's strong capitalization, with equity funding over 80% of total assets, and limited reliance on wholesale borrowings. Furthermore, the investment portfolio is primarily concentrated in floating-rate PIBs, reducing duration risk and preserving liquidity in a rising interest rate environment.

CAPITALIZATION

Table 7: Capitalization (In PKR Millions)

CAPITALIZATION	Dec-23	Dec-24	Dec'25	1QCY26
Total Equity	26,639.9	30,181.0	32,427.7	32,623.2
Share capital	19,365.0	19,365.0	19,365.0	19,365.0
Reserve fund	2,817.8	3,268.4	3,627.5	3,708.9
Unappropriated profit	4,573.7	7,509.6	9,207.3	9,532.7
Surplus on revaluation of assets - net of tax	(116.5)	38.0	227.9	16.7
Total Eligible Capital	26,114.6	27,725.0	27,970.5	29,896.6
Eligible Tier I Capital	25,971.8	27,586.2	27,737.6	29,785.8
Eligible Tier II Capital	142.8	138.8	233.0	110.9
Risk Weighted Assets (RWA)	21,652.3	24,216.9	26,316.2	26,107.9
Total CAR	120.61%	114.49%	106.29%	114.51%
Tier I CAR	119.95%	113.91%	105.40%	114.09%
CET I	119.95%	113.91%	105.40%	114.09%
Leverage	46.68%	37.24%	78.22%	83.08%

HBFC's Tier 1 capital increased to PKR 32.4bn (CY24: PKR 30.2bn) in line with a higher profit retention of PKR 9.2bn (CY24: PKR 7.5bn). Moreover, with increase in Tier II capital to PKR 227.9mn (CY24: PKR 138.8mn) on the back of a higher unrealized gain recorded on Available for Sale (AFS) securities amounting to PKR 139.0mn (CY24: PKR 46.4mn). Total Eligible Capital increased to PKR 28.0bn (CY24: PKR 27.7bn). On the other hand, Risk weighted Assets (RWAs) increased to PKR 26.3bn (CY24: PKR 24.2bn) as of end-CY25, primarily driven by increase in operational risk capital charge under the Basic Indicator Approach (BIA), stemming from growth in average gross income to PKR 9.5bn (CY24: PKR 8.2bn).

Despite the increase in RWAs, HBFC maintained a strong capitalization profile, with the Capital Adequacy Ratio (CAR) reported at 106.3% as at end-Dec'25 (CY24: 114.5%) which was slightly lower than the previous year but it is significantly above the minimum regulatory requirement of 11.5%. The CAR reverted to 114.5% as at end-March'26 due to higher eligible capital and lower RWAs. Additionally, the DFI's leverage ratio improved to 78.2% as at end-Dec'25 (CY24: 37.2%) and improved further to 83.08% as at end-March'26, well above the regulatory minimum threshold of 3.0%.

BALANCE SHEET	CY23	CY24	CY25	1QCY26
Total Investments	34,176.9	53,389.5	19,976.0	19,834.1
Net Advances	14,277.1	12,368.2	12,002.2	12,068.5
Total Assets	55,126	73,619.9	40,336.5	40,796.1
Borrowings	26,278.2	40,853.7	4,828.3	5,088.9
Total Liabilities	28,486	43,438.9	7,908.8	8,172.9
Paid Up Capital	19,365.0	19,365.0	19,365.0	19,365.0
Tier I Capital	26,639.9	30,181.0	32,427.7	32,623.2
Eligible Tier 1 Equity	25,971.8	27586.24	27737.56	29785.76
INCOME STATEMENT	CY23	CY24	CY25	1QCY26
Net Mark-up Income	4,775.5	5,300.9	4,375.8	937.4
Net (Provisioning) / Reversal	326.8	34.1	314.4	35.8
Non-Markup Income	116.0	139.2	220.4	28.7
Operating Expenses	1,815.3	1,610.3	1,677.4	394.8
Profit (Loss) Before Tax	3,331.2	3,798.8	3,160.1	598.3
Profit (Loss) After Tax	2,261.8	2,253.1	1,795.5	406.7
RATIO ANALYSIS	CY23	CY24	CY25	1QCY26
Gross Infection (%)	16.10%	16.94%	16.48%	16.73%
Provisioning Coverage (%) - General	1.6%	1.7%	0.9%	0.3%
Provisioning Coverage (%) - specific	93.89%	99.38%	100.23%	100.23%
Net Infection (%)	-0.47%	-1.58%	-0.96%	-0.39%
Net NPLs to Tier-1 Capital (%)	-0.26%	-0.66%	-0.36%	-0.14%
Capital Adequacy Ratio (%)	120.61%	114.49%	106.29%	114.51%
Leverage	46.68%	37.24%	78.22%	83.08%
Return on Markup Bearing Assets *	23.47%	18.42%	15.73%	13.36%
Cost of Funds (%) *	24.74%	15.48%	14.44%	10.26%
Markup Spread	-1.27%	2.95%	1.29%	3.10%
Efficiency (%)	38.00%	30.36%	38.32%	42.12%
ROAA (%) *	4.84%	3.50%	3.15%	4.01%
ROAE (%) *	9.09%	7.93%	5.74%	5.00%
Liquid Assets to Liabilities (%)	1.20	1.23	2.58	2.47
Liquid Asset to Borrowing (%)	457.8%	578.52%	833.0%	823.3%
Net Stable Funding Ratio (NSFR)	233.0%	302.0%	219.0%	231.0%
Liquidity Coverage Ratio (LCR)	838435%	1135543%	643862%	489104%

* Annualized

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	House Building Finance Company Limited				
Sector	Development Finance Institution (DFI)				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short-Term	Outlook/ Rating Watch	Rating Action
	RATING TYPE: ENTITY				
	06/17/2026	AAA	A1+	Stable	Reaffirmed
	06/27/2025	AAA	A1+	Stable	Reaffirmed
	06/04/2024	AAA	A1+	Stable	Upgrade
	06/07/2023	AA-	A1+	Stable	Upgrade
	06/30/2022	A	A1	Positive	Maintained
	06/28/2021	A	A1	Stable	Reaffirmed
	06/12/2020	A	A1	Stable	Maintained
	05/13/2019	A	A1	Positive	Maintained
	05/14/2018	A	A1	Stable	Reaffirmed
	06/23/2017	A	A1	Stable	Upgraded
	06/28/2016	A-	A2	Negative	Downgraded
06/30/2015	A	A2	Positive	Maintained	
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 Meetings Conducted	Name	Designation		Date	
	Kazim Raza	Chief Financial Officer & Company Secretary		25 May, 2026	
	Areesha Abubakar	AVP / Head MIS			