The Pakistan Credit Rating Agency Limited

Rating Report

HBL Microfinance Bank Limited | Tier 2 Capital TFC | PKR 1.5bln | Mar-24

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
13-Nov-2024	A	-	Stable	Maintain	-
03-May-2024	A	-	Stable	Initial	-
03-Nov-2023	A	-	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

HBL Microfinance Bank Limited ("HBL MfB" or the "Bank") is primarily owned by Habib Bank Limited (HBL), Pakistan's largest commercial bank, which is owned by the Aga Khan Fund for Economic Development, a prominent agency of Agha Khan Development Network, a global organization that aims to enhance the quality of life in marginalized communities. The ratings of the Bank reflect a strong financial profile, strengthened by substantial support from its sponsors. HBL MfB stands out as a leading microfinance bank, holding the largest share of deposit and loan portfolios in the industry. At end-Sep24, the Bank's gross advances reported at PKR 94.7bln (end-Dec23: PKR 100.9bln). Non-performing loans rose to PKR 9.5bln (end-Dec23: PKR 2.7bln) mainly due to a credit crunch in South Punjab and the adoption of IFRS-9, which significantly increased provisioning requirements for the advances portfolio. Consequently, the Bank's infection ratio inclined to 10% (end-Dec23: 3%). The management is proactively addressing this concern. The funding is fueled by deposits, where high contributions arise from savings and term deposits. At end-Sep24, the deposit base of the Bank reported at PKR 118.5bln (end-Dec23: PKR 128.2bln). During 9MCY24, the Net Interest Margin (NIMR) declined to PKR 5.5bln (9MCY23: PKR 7.6bln). Due to high-cost deposits, increased provisioning charges, and slow recoveries in the South Region, the Bank reported a loss after tax of PKR 4bln (9MCY23: PKR 782mln). At end-Sep24, the Capital Adequacy Ratio (CAR) inclined to 16.1% (end-Dec23: 15.3%) owing to a substantial investment of PKR 6bln by its parent, HBL.

The ratings are dependent upon the Bank’s ability to aptly combat the emerging risks under the current economic scenario to keep its business and financial risk profile intact.

Disclosure

Name of Rated Entity	HBL Microfinance Bank Limited | Tier 2 Capital TFC | PKR 1.5bln | Mar-24
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology | Microfinance Institution Rating(Oct-23),Methodology | Rating Modifiers(Apr-24),Methodology | Debt Instrument Rating(Oct-24)
Related Research	Sector Study | Microfinance(Oct-24)
Rating Analysts	Muhammad Usman Ameer | usman.ameer@pacra.com | +92-42-35869504

Issuer Profile

Profile HBL Microfinance Bank Limited ("HBL MfB" or the "Bank") was incorporated in 2002 as a nationwide microfinance bank; licensed by the State Bank of Pakistan. The Bank was founded as a structured transformation of the credit and savings section of the Aga Khan Rural Support Programme (AKRSP), a development initiative pioneering microfinance in Gilgit-Baltistan and Chitral since 1982. As of end-Sep24, the Bank operates 225 business locations, including branches and permanent booths (end-Dec23: 225), with its head office based in Islamabad. The Bank provides a diverse range of products and services for low-income wage earners and the self-employed, focusing on microlending segments such as Agriculture, Livestock, Micro-enterprise, Housing, Nano Loans, Solar Finance, and more.

Ownership The Bank's ownership is primarily held by Habib Bank Limited (HBL) with a stake of 89.38%, followed by the Aga Khan Agency for Microfinance (AKAM) at 6.37%, Aga Khan Rural Support Programme (AKRSP) at 2.36%, and Japan International Cooperation Agency (JICA) with 1.89%. This ownership structure is expected to remain stable in the near term. The Aga Khan Development Network (AKDN), which sponsors HBL, AKAM, and AKRSP, is a group of agencies focused on development in areas such as environment, health, education, architecture, culture, microfinance, rural development, and disaster management. AKDN aims to improve the quality of life for underserved communities, mainly in Asia and Africa, by fostering self-reliance. The sponsor's business expertise is considered strong, with HBL, the direct sponsor, recognized as one of Pakistan's largest banks by deposits and advances. At end-Sep24, the HBL's deposit base stood at PKR 4.8tln, with equity at PKR 411bln.

Governance The Board of Directors consists of eight members: four representatives from Habib Bank Limited, two from the Aga Khan Agency for Microfinance, one from the Aga Khan Rural Support Programme (AKRSP), and one from the Japan International Cooperation Agency. The Board is chaired by Mr. Rayomond Kotwal, CFO of Habib Bank Limited, who has over 30 years of senior finance experience across various commercial banks. Each Board member brings significant expertise, with a majority possessing extensive banking experience, enhancing the Board's overall strength. The Board has six committees: (i) Human Resource Committee, (ii) Risk & Compliance Committee, (iii) Audit Committee, (iv) Information Technology Committee, (v) Financial Inclusion & Sustainability Committee, and (vi) Board Remuneration Committee. In CY23, the Board held four meetings, with satisfactory attendance. KPMG Taser Hadi & Co. serves as the Bank's external auditor and issued an unqualified opinion on the financial statements for the year ending December 31, 2023. The internal audit department reports directly to the Audit Committee.

Management The Bank operates with a horizontally structured organization, comprising 11 departments that report directly to the Chief Executive Officer. Each reporting line and job description is clearly defined. Mr. Muhammad Amir Khan, the CEO and President, has been with the bank since 2012 and has 30 years of experience in commercial and consumer banking. He is supported by a skilled and experienced team. Mr. Ali Raza Anjum is the Chief Operating Officer and has been with the bank since 2012. He brings over 29 years of diverse experience in business, treasury, risk management, compliance, credit, internal audit, banking operations, finance, and human resources, having held senior management positions in prominent commercial and microfinance banks. Mr. Rizwan Maqsood serves as the Chief Financial Officer and also fulfills the roles of Company Secretary and General Counsel. With more than twenty years of extensive experience, he has managed a variety of functions including financial strategy, planning, management, reporting, analysis, accounting, auditing, and assurance. Mr. Junaed Rayaz, the Chief Risk Officer of the bank, has almost 30 years of diverse experience in the banking industry, focusing on credit and market risk management, fraud prevention, and portfolio optimization. The Bank has set up various management committees to ensure operational efficiency and has implemented a robust Management Information System (MIS) infrastructure that features system-generated reports and detailed live dashboards to facilitate effective decision-making. Furthermore, a dedicated risk management department regularly monitors credit, operational, and market risks, convening monthly to ensure adherence to the risk profile approved by the Board of Directors. The Bank's IT infrastructure, which supports core banking and other essential systems, is located in a state-of-the-art data center at its Head Office. The Core Banking System (CBS) in use is Oracle's Flexcube, which has been enhanced with features to address changing business needs and stringent regulatory requirements.

Business Risk The Microfinance Banking (MfB) sector ("Sector") continues to grapple with long-standing challenges in the form of declined asset quality, negative profitability and weakened Capital Adequacy Ratio (CAR) mainly driven by the historical impact of the COVID-19 pandemic in CY20 to the hazard of floods in Jul-Aug'22 followed by the economic slowdown in CY23, the Sector's resilience has been repeatedly tested. During 6MCY24, the deposit base of MfBs increased by 6.7% to stand at PKR 637bln. The GLP of the Sector recorded a marginal uptick of 1.4% to stand at PKR 413.8bln. Whereas, the infection ratio jumped to 10.5% from 6.6% in CY23. The reported loss of the Sector soared to PKR 12.1bln from PKR 8.1bln in CY23. Consequently, the Sector's equity base declined to PKR 22.6bln from PKR 37.4bln, resulting in the declined CAR of the Sector clocking in at 5.7% from 7.6% in CY23 falling far below the regulatory threshold of 15%. These factors cumulatively raise serious and persistent concerns about the performance of the Sector. HBL Microfinance Bank Limited is the leading bank in the Sector with the highest share of deposits and gross loan portfolio (GLP) clocking in at ~22.4% and 25% respectively. In CY23, the Bank's markup income rose by 38.1% to PKR 33.2bln (CY22: PKR 24.1bln) due to higher earnings from advances and investments. However, markup expenses surged by 65% to PKR 22.5bln (CY22: PKR 13.6bln) because of increased high-cost deposits. Consequently, the Net Interest Margin (NIMR) increased slightly by 3% to PKR 10.7bln. Non-markup income grew 21% to PKR 2.5bln (CY22: PKR 2.1bln), mainly driven by fee and commission income of PKR 2.2bln. The provisioning charges increased to PKR 2.8bln (CY22: PKR 2.5bln). Due to high-cost deposits and administrative expenses, net profitability fell by 66% to PKR 405mln, impacting the CAR, which stood at 15.3% as of end-Dec23. Subsequently, in 9MCY24, the Bank reduced its advances by 11% to PKR 86.9bln, focusing more on government securities. It adjusted its funding mix by increasing borrowings and reducing costly deposits to control costs. Adopting IFRS-9 led to a 3.9x increase in provisioning expenses, reaching PKR 5.4bln. These factors, along with high-cost deposits and lower advances, resulted in a loss of PKR 4bln for 9MCY24. To address this, the sponsor injected PKR 6bln in equity, raising the CAR to 16.1% by end-Sep24. With improved risk absorption capacity, the Bank plans to expand its advances, and lower funding costs are anticipated in a low-interest-rate environment, going forward. HBL MfB has upgraded the Customer Origination System (LoS) to a Customer Management Solution (CMS) – an end-to-end digital model used to automate the processes and reduce the turnaround time.

Financial Risk As of end-Dec23, gross advances rose by 14.9% to ~PKR 100.9bln (end-Dec22: PKR 87.9bln), with Non-Performing Loans (NPLs) increasing to PKR 2.7bln (Dec22: PKR 2.1bln), raising the infection ratio to 3% (Dec22: 2%). By end-Sep24, gross advances were reported at PKR 94.6bln, while NPLs climbed to PKR 9.5bln due to IFRS-9 adoption, pushing the infection ratio to 10%. The Bank's investment portfolio decreased by approximately 9% year-over-year to PKR 27.6bln at end-Dec23 (Dec22: PKR 30.4bln), primarily in government securities, though it increased to PKR 40.4bln by end-Sep24. The deposit base rose 10% year-over-year to PKR 128.2bln (end-Dec22: PKR 116.1bln), while total borrowings showed a modest rise, reaching PKR 9.3bln (end-Dec22: PKR 8.6bln). The gross advances-to-deposit ratio (ADR) climbed to 76.1% (end-Dec22: 73.6%) due to the expanded advances portfolio for CY23. However, at end-Sep24, deposits stood at PKR 118.5bln, and total borrowings increased to PKR 13.7bln, with secured borrowings from financial institutions amounting to PKR 10.2bln, followed by subordinated debt at PKR 3.5bln. The Bank's equity base grew to PKR 14.2bln by end-Dec23 (end-Dec22: PKR 13.2bln) due to sponsor capital injection and profitability, with a CAR of 15.3% (end-Dec22: 16.4%), meeting SBP's minimum requirement. By end-Sep24, equity further strengthened to PKR 15.7bln, following an additional PKR 6bln from the sponsor, boosting the CAR to 16.1% and providing ample exposure capacity.

Instrument Rating Considerations

About The Instrument In March 2024, the Bank issued privately placed, unsecured, subordinated, and rated Tier 2 Capital Term Finance Certificates ("TFCs" or the "Instrument") amounting PKR 1,500mln. These TFCs, with a 10-year tenor, may be listed, to enhance the Bank's Tier II capital and strengthen the Capital Adequacy Ratio (CAR). Profit is being paid semi-annually in arrears at a rate of 6MK + 200 bps per annum, calculated on a 365-day basis on the outstanding principal. The first payment, due in June 2024, has been made by the Bank. Principal redemption will occur as a bullet payment at maturity. The issuer ("HBL MfB") may, with prior SBP approval, call the TFCs at par (in full or partially) on any profit payment date after five years from the issue date, provided at least 30 calendar days notice is given to investors. Once announced, the call option is irrevocable. Additionally, the call option may only be exercised if HBL MfB is compliant with SBP's MCR and CAR requirements. In line with the lock-in clause for Tier II issues, neither profit nor principal on the TFCs may be paid, even at maturity, if such payment would cause a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR), or increase any existing shortfall in MCR and CAR. The TFCs also include a loss absorbency clause, allowing SBP, in the event of a point of non-viability, to fully and permanently convert the TFCs into common shares of the Bank.

Relative Seniority/Subordination Of Instrument The Instrument is subordinated, with payment of both principal and profit ranking below all other liabilities, including deposits, but pari passu with other Tier II instruments and senior to Additional Tier I instruments.

Credit Enhancement The Instrument is unsecured.

PKR mln

HBL Microfinance Bank Limited Public Unlisted	Sep-24 9M	Dec-23 12M	Dec-22 12M	Dec-21 12M
A BALANCE SHEET				
1 Total Finances - net	85,159	98,190	85,709	56,913
2 Investments	40,398	27,553	30,395	13,730
3 Other Earning Assets	1,227	4,659	2,237	24,534
4 Non-Earning Assets	29,536	29,638	24,517	14,885
5 Non-Performing Finances-net	1,816	(665)	(332)	(40)
Total Assets	158,136	159,375	142,526	110,021
6 Deposits	118,530	128,234	116,063	91,363
7 Borrowings	13,735	9,341	8,571	4,883
8 Other Liabilities (Non-Interest Bearing)	10,145	7,586	4,665	3,692
Total Liabilities	142,410	145,160	129,299	99,937
Equity	15,726	14,215	13,226	10,083
B INCOME STATEMENT				
1 Mark Up Earned	25,338	33,228	24,060	15,276
2 Mark Up Expensed	(19,824)	(22,497)	(13,641)	(6,294)
3 Non Mark Up Income	1,486	2,548	2,109	1,430
Total Income	7,000	13,280	12,528	10,412
4 Non-Mark Up Expenses	(8,092)	(9,838)	(8,181)	(6,353)
5 Provisions/Write offs/Reversals	(5,387)	(2,782)	(2,581)	(1,884)
Pre-Tax Profit	(6,480)	660	1,766	2,175
6 Taxes	2,441	(255)	(541)	(619)
Profit After Tax	(4,039)	405	1,225	1,556
C RATIO ANALYSIS				
1 Performance				
Portfolio Yield	28.7%	32.3%	29.5%	28.4%
Operational Self Sufficiency (OSS)	80.1%	101.9%	107.2%	115.0%
Return on Equity	-36.0%	3.0%	10.5%	18.6%
2 Capital Adequacy				
Net NPL/Equity	11.6%	-4.7%	-2.5%	-0.4%
Equity / Total Assets (D+E+F)	9.9%	8.9%	9.3%	9.2%
Tier I Capital / Risk Weighted Assets	11.3%	10.9%	12.3%	12.4%
Capital Adequacy Ratio	16.1%	15.3%	16.4%	17.0%
3 Funding & Liquidity				
Liquid Assets as a % of Deposits & Short term Borrowings	44.7%	35.6%	38.6%	48.3%
Funding Diversification (Deposits/(Deposits+Borrowings+Grants))	89.6%	93.2%	93.1%	94.9%
Net Advances to Deposits Ratio	73.4%	76.1%	73.6%	62.2%

Credit Rating

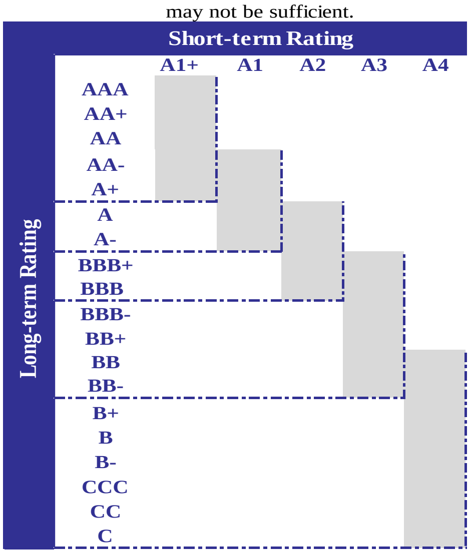
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long-term Rating

Scale	Definition
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	**Very high credit quality.** Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	**High credit quality.** Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	**Good credit quality.** Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	**Moderate risk.** Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	**High credit risk.** A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	**Very high credit risk.** Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.
D	Obligations are currently in default.

Short-term Rating

Scale	Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



**The correlation shown is indicative and, in certain cases, may not hold.*

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Companies Rating

Rating Team Statements
(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) **Conflict of Interest**
i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

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(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business
(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA´s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review
(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument;| Chapter III | 17-(d)
Probability of Default
(22) PACRA´s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA´s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA´s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)
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Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Book Value of Assets (PKR mln)	Nature of Assets	Trustee
Privately placed, fully paid up, unsecured, and Subordinated Debt Instruments, rated in the nature of Tier 2 Capital Term Finance Certificates of up to PKR 1,500mln	PKR 1,500mln	10 years from the date of issue	Unsecured	N/A	N/A	Pak Oman Investment Company

Name of Issuer	HBL Microfinance Bank Limited
Issue Date	Mar-24
Maturity	Mar-34
Profit Rate	6MK+2.0%

HBL Microfinance Bank Limited | Tier 2 Capital TFC | PKR 1.5bln | Mar-24 | Redemption Schedule

Sr.	Due Date Principal	Opening Principal	6M Kibor	Markup/Profit Rate (6MK+2.0%)	Markup/Profit Payment	Principal Payment	Total	Principal Outstanding
		PKR			PKR			
Issue Date	Mar-24	1,500,000,000				-	-	1,500,000,000
1	Sep-24	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
2	Mar-25	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
3	Sep-25	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
4	Mar-26	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
5	Sep-26	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
6	Mar-27	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
7	Sep-27	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
8	Mar-28	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
9	Sep-28	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
10	Mar-29	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
11	Sep-29	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
12	Mar-30	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
13	Sep-30	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
14	Mar-31	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
15	Sep-31	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
16	Mar-32	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
17	Sep-32	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
18	Mar-33	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
19	Sep-33	1,500,000,000	21.66%	23.66%	177,936,164	-	177,936,164	1,500,000,000
20	Mar-34	1,500,000,000	21.66%	23.66%	177,936,164	1,500,000,000	1,677,936,164	-
					3,558,723,288	**1,500,000,000**	**5,058,723,288**	