

Soneri Bank Limited | Tier 1 TFC

RATING REPORT | DEC-25



Rating History

Dissemination Date	Long-Term Rating	Short-Term Rating	Outlook	Action	Rating Watch
26-Dec-25	A	-	Stable	Maintain	-
25-Jun-25	A	-	Stable	Maintain	-
30-Dec-24	A	-	Stable	Maintain	-
28-Jun-24	A	-	Stable	Maintain	-
28-Dec-23	A	-	Stable	Maintain	-

About the Instrument

SNBL issued unsecured, listed, subordinated, perpetual, rated and non-cumulative Additional Tier-I TFCs ("TFCs" or the "Instrument") in Dec-18 of PKR 4bln to contribute towards the Bank's Tier I Capital. The additional tier-I is exposed to non-payment (principal & interest) risk in case the CAR falls below the minimum regulatory requirements. The profit rate is 6MK+2.00% and is being paid semiannually in arrears on the outstanding principal. The TFC may be recalled and replaced with similar or better quality capital after five years from the issue date. If payments affect the Bank's capital requirements, neither principal nor profit will be paid. In case of a CET1 trigger or Non-Viability event, the SBP may convert the TFCs into common shares, up to a cap of 360mln ordinary shares. These TFCs are unsecured, subordinated, and pari passu with other Additional Tier I instruments. The Bank made a total profit payment of 264.1mln in December 2025.

Rating Rationale

The ratings reflect the astute leadership of Soneri Bank ("SNBL" or the "Bank"), which has played a pivotal role in building and sustaining a strong business profile over the years. The Bank has achieved sizeable growth in its low-cost deposit base and continues to work on optimizing deposit composition and enhancing cost efficiency. In addition, it is experiencing notable growth in trade business volumes and is actively expanding its footprint through a growing branch network. The Bank is also taking strategic initiatives to strengthen its digital presence, aiming to improve customer experience and operational efficiency while staying aligned with evolving industry trends. The Bank expanded its branch network significantly during 9MCY25, adding 74 new branches to reach a total of 618 (up from 544 in CY24). This milestone of 600+ branches reflects the Bank's strategic growth and strong focus on customer satisfaction. During 9MCY25, the CASA was inclined to 84% (CY24: 82%). With a greater contribution of 51% (CY24: 52%) from the SA, while the CA share increased to 33% (CY24: 30%). The Bank's advances declined by 19.7%, decreasing the Net Advances to Deposit Ratio (ADR) to 30.9% (CY24: 44.5%). Asset quality remained moderate, with the NPL coverage ratio standing at 84.5% (CY24: 90%) and the infection ratio slightly increasing to 4.3% (CY24: 3.2%). As of 9MCY25, net-markup income rose by 11.5% YoY to stand at PKR 20.9bln (9MCY24: PKR 18.8bln), while non-markup income increased by 24.7% to stand at PKR 6.5bln (9MCY24: PKR 5.2bln), mainly due to higher fee and commission income (9MCY25: PKR 3.6bln; 9MCY24: PKR 3.2bln), with 36.6% from trade-related services. However, net profit declined by 30.7% to PKR 3.3bln (9MCY24: PKR 4.8bln), mainly due to a 22.8% rise in non-markup expenses to PKR 17.8bln (9MCY24: PKR 14.5bln), driven by nationwide branch expansion. The equity base grew to PKR 33.2bln (CY24: PKR 30.8bln), while the Capital Adequacy Ratio (CAR) stood at 16.3% (CY24: 17.7%). The Bank plans to enhance its deposit base and customer relationships through digital innovation and customized solutions. Continued growth in core and trade-related income, along with a focus on non-fund-based exposures and operational efficiency, will drive long-term sustainability.

Key Rating Drivers

The sustained growth in the deposit share, while keeping the low cost deposit base and improvement in the risk absorption capacity would be important.

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RELATED RESEARCH

- Sector Study | Commercial Banks | Jun-25



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RATING ANALYSIS



Issuer Profile

Profile

Soneri Bank Limited ("SNBL" or the "Bank") was incorporated as a public limited company and commenced operations as a Scheduled Commercial Bank in 1991. The Bank is quoted on the Pakistan Stock Exchange under the category of Commercial Banks. Soneri Bank was founded by the Feerasta family to serve the underserved SME segment, often overlooked by larger banks. Starting with one branch in Lahore, the Bank operates over 600 branches across more than 200 cities in Pakistan as of end-Sep25. With assets over PKR 800bln, the Bank excels in trade finance and continues innovating through advanced banking technologies. Soneri Bank's registered office is situated on the 2nd Floor, 307-Upper Mall Scheme, Lahore, while its central office is located on the 10th Floor, PNSC Building, M.T. Khan Road, Karachi. The Bank offers a wide range of financial products and services, including conventional and Islamic banking, digital banking solutions, and tailored financing options for individuals and businesses. Their portfolio includes various deposit accounts, consumer and Islamic financing, trade finance, and advanced cash management services. With a strong focus on innovation and customer convenience, Soneri Bank continues to expand its reach through digital platforms and specialized programs. At end-Sep25, the Bank operates with 618 (end-Dec24: 544) branches, including 116 Islamic banking branches, and 15 Islamic banking windows.

Ownership

At end-Sep25, the Feerasta Family-sponsors of the Rupali Group, own a 63.18% stake in the Bank, mainly through three trusts and individuals of the sponsor family. Other shareholders mainly include the National Bank of Pakistan (NBP), which, through National Investment Trust Limited (NITL), holds an 7.71% stake. The remaining stake is 29.11%, which is widely spread among financial institutions and the general public. The ownership structure of the Company is seen as stable as no material ownership changes are expected in the future. The majority stake rests with the Feerasta family. The Feerasta Family has been associated with a diverse set of businesses for the last few decades and has been successfully managing them. Their business acumen is considered good. Given that Soneri Bank has the flagship business of sponsors, the willingness to support the Bank in case the need arises, is considered high.

Governance

The overall control of the Bank vests with an eight-member Board of Directors (Board) comprising four non-executive directors, three independent directors, and one executive director, the Chief Executive Officer (CEO). Three of the Board members are nominees of the Feerasta family, while one is a National Investment Trust (NIT) representative. **Mr. Amin A. Feerasta – Chairperson of the Board** assumed office on June 6, 2024. With over 26 years at the Bank, he has served in key roles including Chief Risk Officer, Chief Operating Officer, Deputy CEO, and Executive Director. He holds a BSc in Finance from Santa Clara University, USA, and is a Certified Director. He has completed executive programs at the University of Oxford and in Malaysia. He also serves as Chairperson of the Aga Khan Foundation, Pakistan. There are six board committees: i) Audit, ii) Risk & Compliance, iii) Human Resource and Remuneration, iv) Credit, v) Independent Directors, and vi) Information Technology Committee, which assists the Board in the effective oversight of the bank's overall operations on relevant matters. M/s. A.F. Ferguson & Co, Chartered Accountants, classified in category 'A' by SBP and having a satisfactory QCR rating are the external auditors for SNBL. They expressed an unqualified opinion on the financial statement for the year ended 31st December 2024.

Management

Overall operations have been divided into thirteen functions and organized into Northern, Central, and Southern regions for effective management and control. SNBL's management team comprises experienced individuals. **Mr. Muhtashim Ahmad Ashai – President & CEO** joined SNBL on 01 April 2020. He brings over 32 years of global banking experience, including leadership roles at MCB and ABN AMRO. He holds a BSc, an MBA from LUMS, and executive training from ICAP and McGill University. SNBL has eight management committees in place, all headed by the CEO. The committees are i) Management, ii) Executive Credit, iii) Compliance, iv) Assets & Liability, v) I.T Steering, vi) Credit Risk Management, vii) Operational Risk Management Committee and viii) Business Continuity Plan Steering. The Bank made substantial investments to add value to its risk management framework and upgraded its Operational Risk Rating (ORR) monitoring and related systems through in-house developments and external consultant support. Moreover, the Bank has also upgraded its data center and disaster recovery solutions and has also deployed a data warehouse to support the business functions. The Bank's risk management framework ensures proactive, holistic risk identification and control across functions to support sustainable growth. Oversight by the Board and specialized committees ensures adherence to policies, regulatory compliance, and effective risk mitigation.

Business Risk

During 9MCY25, Pakistan's Banking sector's total assets posted growth of ~9.5% YTD whilst investments surged by ~23.4% to PKR ~36.7trln (CY24: PKR ~29.8trln). Net Advances of the sector recorded a decline of ~16.3% to

stand at PKR ~13.2trln (CY24: PKR ~15.8trln). Non-Performing Loans (NPLs) witnessed a decrease of 11.2% YTD to PKR ~948bln (CY24: PKR ~1,068bln). The Capital Adequacy Ratio (CAR) averaged at 22.1% (CY24: 20.6%). Given the low monetary rate and high cost environment, Banks are likely to show some dilution in profitability by the end of CY25. (Source: SBP Compendium). SNBL, a small-sized Bank, holds a customer deposit base of PKR 537.1bln, other than financial institutions as of 9MCY25 (CY24: PKR 486.2bln). On such basis, the market share of deposits of the Bank stood at 1.6% (CY24: 1.7%). During 9MCY25, SNBL's Net markup income witnessed an increase of 11.5% YoY to stand at PKR 20.9bln (9MCY24: PKR 18.8bln), on the back of improvement in average volumes, more than offsetting small compression in spreads. While the markup income witnessed a decrease of 26.7% YoY to stand at PKR 64.4bln (9MCY24: PKR 87.8bln). Subsequently, the Asset yield of the Bank stood at 12.9% (9MCY24: 20.9%). Whereas, the Bank's cost of funds stood at 8.2% (9MCY24: 14.8%). The Bank's spread stood at 4.7% (9MCY24: 6.1%). The overall revenue of the Bank indicated an improvement by 14.4% YoY. While the non-mark-up income increased by 24.7% to stand at PKR 6.5bln (9MCY24: PKR 5.2bln) mainly due to higher fee and commission income (9MCY25: PKR 3.6bln; 9MCY24: PKR 3.2bln). Non-markup expenses increased by 22.8% YoY to PKR 17.8bln (9MCY24: PKR 14.5bln), in line with the expansion of the branch network through the addition of 74 branches across the country from CY24 to 9MCY25. The non-markup expenses to total income increased to 64.8% (9MCY24: 60.3%). Net profits decreased by 30.7% to stand at PKR 3.3bln (9MCY24: PKR 4.8bln). Moving ahead, the Bank intends to further expand its branch network to assist further outreach. The Profitability profile remains adequate and supports the equity position. The Management's focus is to improve the Bank's sustained market share while remaining compliant with minimum capital requirements.

Financial Risk

At end-Sep25, SNBL's net advances have decreased by 19.7% and were reported at PKR 194.1bln (end-Dec24: 241.7bln). The Bank's Net Advances to Deposit Ratio (ADR) was reported at 30.9% (end-Dec24: 44.5%). The infection ratio increased to 4.3% (end-Dec24: 3.2%). This was driven by the decline of the advance base, and an increase in NPLs (end-Sep25: 8.7bln, end-Dec24: 7.9bln). The Bank's investment portfolio witnessed an increase of 30.1% and was reported at PKR 499.9bln (end-Dec24: PKR 384.3bln), with a majorly skew towards Government securities (99%). The Government securities are mainly comprised of Pakistan Investment Bonds (PIBs), followed by T-Bills, which have decreased from the last year. The higher investment in PIBs reflects the Bank's strategy to secure long-term yields amid anticipated interest rate declines. The reduction in T-Bills indicates a deliberate shift away from short-term instruments, aiming to enhance duration and optimize returns within a stable, low-risk investment framework. The Bank's strong focus on government securities shows its cautious and low-risk investment strategy, aimed at capital preservation and ensuring steady returns. Current Account (CA) stood at 33% (end-Dec24: 30%), and Savings Account (SA) stood at 51% (end-Dec24: 52%). The Bank's liquidity, in terms of Liquid Assets-to-Deposits and borrowing ratio, inclined to 71.5% (end-Dec24: 59.7%). The Bank remains well capitalized, maintaining strong buffers above regulatory requirements. The CAR stood at 16.3% (end-Dec24: 17.7%), with a Tier I CAR of 12.5% (end-Dec24: 13.9%), in full compliance with SBP's minimum thresholds. The Bank is committed to sustaining capital ratios significantly above the regulatory benchmarks to ensure robust risk absorption capacity. The Bank's equity base improved to PKR 33.2bln (end-Dec24: PKR 30.8bln), which is also supported by a perpetual ADT 1 instrument of PKR 4bln, which was raised in 2018 and Tier-II TFCs amounting to PKR 4bln, raised in the year 2022.

Instrument Rating Considerations

About the Instrument

Soneri Bank Limited issued perpetual, unsecured, subordinated, rated, listed, and non-cumulative term finance certificate ("TFC" or the "Issue" or "Instruments") The issue amounts to PKR 4bln inclusive of a Green Shoe option of PKR 1bln. The profit is being paid off semiannually at the rate of 6M KIBOR +200bps on a non-cumulative basis on the outstanding principal amount of the issue. The amount raised through this Issue, subject to necessary corporate and regulatory approvals, contributed towards SNBL's Additional Tier 1 Capital in accordance with SBP guidelines on capital adequacy. Furthermore, the amount raised is utilized in SNBL's normal business operations as permitted under its Memorandum & Articles of Association. Profit payments will only be paid from SNBL's most recent/current year's earnings on a non-cumulative basis subject to the SNBL's compliance with SBP regulatory guidelines on Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR).

Relative Seniority/Subordination of Instrument

The Issue will be unsecured and subordinated to the payment of principal and profit of all other claims except ordinary shares. In addition to the Lock-In Clause, the Instrument will be subject to 1) loss absorption upon the occurrence of a Pre-Specified Trigger ("PST") i.e. issuer's CET1 the ratio falls to/below 6.625% of Risk-Weighted Assets; and 2) loss absorption and/or any other requirements of SBP upon the occurrence of a Point of Non-Viability ("PONV"). Upon reaching the pre-defined trigger point or point of non-viability (PONV), the Tier I TFC may be partially or fully converted into equity/written off as per the discretion/instructions of SBP.

Credit Enhancement

The Instrument is unsecured.

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(PKR mln)

FINANCIAL SUMMARY



	Sep-25 9M	Dec-24 12M	Dec-23 12M	Dec-22 12M
A. BALANCE SHEET				
1. Stage I Advances - net	176,759	225,866	203,655	205,548
2. Stage II Advances - net	15,986	15,086	0	0
3. Stage III Non-Performing Advances	8,708	7,883	10,497	10,169
4. Stage III Impairment Provision	(7,362)	(7,096)	(8,398)	(7,282)
5. Investments in Government Securities	495,915	381,083	306,161	252,489
6. Other Investments	4,029	3,223	4,180	5,518
7. Other Earning Assets	6,499	8,598	0	52,339
8. Non-Earning Assets	119,910	104,857	142,467	60,980
Total Assets	820,444	739,499	658,562	579,760
6. Deposits	629,128	543,146	517,869	409,643
7. Borrowings	117,197	117,369	76,740	123,728
8. Other Liabilities (Non-Interest Bearing)	40,874	48,174	35,339	25,243
Total Liabilities	787,200	708,690	629,949	558,614
Equity	33,244	30,810	28,613	21,146
B. INCOME STATEMENT				
1. Mark Up Earned	64,392	114,093	98,033	63,057
2. Mark Up Expensed	(43,394)	(89,146)	(75,275)	(51,790)
3. Non Mark Up Income	6,518	6,755	6,459	5,157
Total Income	27,515	31,702	29,217	16,424
4. Non-Mark Up Expenses	(17,833)	(19,525)	(15,471)	(12,245)
5. Provisions/Write offs/Reversals	(78)	461	(1,389)	375
Pre-Tax Profit	9,604	12,638	12,357	4,554
6. Taxes	(6,301)	(6,737)	(6,282)	(2,671)
Profit After Tax	3,304	5,901	6,075	1,883
C. RATIO ANALYSIS				
1. Performance				
Net Mark Up Income / Avg. Assets	3.6%	3.6%	3.7%	1.9%
Non-Mark Up Expenses / Total Income	64.8%	61.6%	53.0%	74.6%
ROE	13.8%	19.9%	24.4%	8.8%
2. Capital Adequacy				
Equity / Total Assets (D+E+F)	4.1%	4.2%	4.3%	3.6%
Capital Adequacy Ratio	16.3%	17.7%	18.4%	15.2%
3. Funding & Liquidity				
Liquid Assets / (Deposits + Borrowings Net of Repo)	71.6%	59.7%	56.2%	44.1%
Net Financial Assets to Deposits Ratio [(Total Finances - net + Non-Performing Finances - net) / Deposits]	30.85%	44.51%	39.73%	50.88%
Current Deposits / Deposits	32.5%	30.1%	30.4%	32.7%
Saving Deposits / Deposits	51.2%	51.8%	48.8%	46.5%
4. Credit Risk				
Impaired Loan Ratio [Stage III Non-Performing Advances / Gross Advances]	4.3%	3.2%	4.9%	4.7%

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RATING SCALE



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.

Scale	Long-Term Rating
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.

Scale	Short-Term Rating
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 conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing)	Rating Watch	Suspension	Withdrawn	Harmonization
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'.	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.	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.	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 surveil the opinion due to lack of requisite information.	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. Rating actions may include "maintain", "upgrade", or "downgrade".

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

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

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- I. **Rating** is just an opinion about the creditworthiness of the entity and does not constitute a 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))**
- II. **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)]**
 - iv. Explanation: for the purpose of the 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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- ii. PACRA uses due care in the 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 verify or validate information received in the rating process or in preparing this Rating Report. **(Clause 11-A-(p))**
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- ii. PACRA reviews all the outstanding ratings periodically on an annual basis. Provided that public dissemination of annual review and in an instance of change in rating will be made. **(Chapter III; 17-(b))**
- iii. PACRA initiates an 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))**
- iv. 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))**

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Soneri Bank Limited | Tier 1 TFC

REGULATORY AND SUPPLEMENTARY DISCLOSURE



Nature of Instrument	Size of Issue (PKR mln)	Tenor	Security	Issue Agent	Book Value of Security Assets (PKR mln)
Listed Tier-I TFC	PKR 4bln (Inclusive of Green Shoe option of PKR1 bln)	Perpetual	N/A	Pak Brunei Investment Company Limited	N/A

Name of Issuer	Soneri Bank Limited
Issue Date	July-2018
Maturity	Perpetual
Call Option	Exercisable after 5 years of issue date
Profit Rate	6MK + 2.00%

Soneri Bank Limited Tier 1 TFC Redemption Schedule	
N/A for TFC's with Perpetual Tenor.	