Soneri Bank Limited | Tier 2 Capital TFC | PKR 4bln | Dec'22

RATING REPORT | JUN-26

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Rating History

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

About the Instrument

SNBL issued unsecured, DSLR listed, subordinated and rated TFC of PKR 4bln in Dec-22 to contribute towards the Bank's Tier II Capital. The proceeds were utilized for normal business operations. The Instrument carries a profit rate of 6MK + 1.70%, payable semiannually in arrears, with a 10-year tenure and callable option after five years, subject to SBP approval. A lock-in clause restricts payments if regulatory capital thresholds (MCR, CAR, LR) are breached. The Instrument includes a loss-absorption clause, allowing SBP conversion into common shares upon non-viability. It is subordinated to other Bank debts but ranks equally with Tier II TFCs and above Additional Tier I TFCs and common shares. The principal will be redeemed gradually: 0.36% over the first 9 years and 99.64% through two semi-annual installments in the final year. The Bank made a total profit payment of PKR 246.0mln in Jun-26.

Rating Rationale

Soneri Bank Limited's ("SNBL" or the "Bank") rating upgrade reflects a structurally strengthened liability franchise, sustained earnings momentum, and continued sustainability and progress in trade finance. The Bank's deposit mix improved steadily, with the CASA ratio strengthening over the past several years and current deposits growing well ahead, especially in the new branches opened by the Bank. This low-cost funding base remains relationship-anchored rather than rate-sensitive, evidenced by a stable and higher spread than historically. Profitability improved across both funded and non-funded lines. Net markup income and profit before tax both posted strong multi-year growth, supported by right deployment of funds and efficient cost structure. Fee and commission income nearly doubled over the period, with growth ranking among the better performers in the industry. The bank's position is supported by ongoing investment in alternate delivery channels, payment solutions, and core banking infrastructure that is broadly in line with industry trends. Trade finance has emerged as a notable growth driver. The Bank's foreign trade volumes more than doubled over the past five years, lifting market share to its highest-ever level and crossing a landmark trade volume milestone; the third-highest trade growth rate among major banks in the country. This reinforces the Bank's positioning as an increasingly credible trade-finance partner. Digital banking activity also scaled up meaningfully, with transaction values and volumes rising steadily, reflecting gradual customer migration toward digital channels alongside continued branch expansion. Asset quality strengthened considerably: the infection ratio fell to its lowest level in over a decade, improving the Bank's industry ranking, while both general and specific coverage ratios rose substantially, reinforcing loss-absorption capacity and balance sheet resilience. Branch network expansion continued at pace, with the Bank adding a large number of new branches in recent years, which is its largest expansion phase to date. Islamic banking operations also expanded their contribution to the overall franchise, growing their share of the Bank's assets, deposits, and advances. Looking ahead, the Bank has outlined a three-year strategic roadmap centered on digital adoption, sustainable growth, market expansion, and customer service. Targets include further branch network expansion, growth in total assets and deposits, and a continued scale-up in trade business volumes, positioning trade finance as a core pillar of future non-funded income growth.

Key Rating Drivers

The ratings remain dependent on the Bank's ability to sustain profitability, manage asset quality, and maintain adequate capitalization and liquidity buffers. Any material deterioration could impact the ratings.

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Issuer Profile

Profile

Soneri Bank Limited ("SNBL" or "the Bank") commenced its banking operations in 1991 as a scheduled commercial bank and is listed on the Pakistan Stock Exchange (PSX) within the Commercial Banks sector. Founded by the Feerasta Family, SNBL was envisioned to bridge the financing gap for Pakistan's SME sector by extending banking services to businesses that remained relatively underserved by larger financial institutions. Beginning its journey with a single branch in Lahore, the Bank has gradually evolved into a nationwide financial institution with a network of 674 branches spread across more than 260 cities as of end-Mar'26. With an asset base exceeding PKR 836bln, SNBL has established a notable position in trade finance while continuously strengthening its banking proposition through technology-led initiatives and digital transformation. The Bank operates from its registered office located at 2nd Floor, 307-Upper Mall Scheme, Lahore, while its central office is situated at 10th Floor, PNSC Building, M.T. Khan Road, Karachi. SNBL offers a diversified portfolio of financial solutions, including conventional and Islamic banking products, digital banking services, consumer and corporate financing, trade finance facilities, and cash management solutions tailored to evolving customer requirements. Driven by a focus on innovation, accessibility, and customer experience, the Bank continues to enhance its nationwide presence through expanding delivery channels and technology-enabled banking platforms. As of end-Mar'26, SNBL's branch network comprises 674 branches (end-Dec'25: 670), including 186 Islamic banking branches and 10 Islamic banking windows.

Ownership

At end-Dec'25, the ownership of SNBL remains concentrated with the Feerasta Family, the Bank's founding sponsors, who collectively maintain a controlling interest through various trusts and related parties. The major shareholding comprises Trustees Alauddin Feerasta Trust holding 35.69%, Trustees Feerasta Senior Trust holding 14.57%, and Trustees Alnu Trust holding 7.29%. In addition, related parties collectively hold 11.28% stake in the Bank. Other significant shareholders include National Investment Trust Limited (NIT) with a shareholding of 7.25%, while the remaining ownership is distributed among general public, institutional investors, and other corporate shareholders. The ownership profile of the Company is considered stable, with no significant changes anticipated in the near to medium term. The Feerasta Family has established a longstanding presence across diverse business sectors and has demonstrated sound managerial capabilities in successfully overseeing its ventures. Given SNBL's strategic importance within the sponsors' business portfolio, the sponsors' ability and willingness to provide support to the Bank, if required, is considered strong.

Governance

As of Mar'26, Mr. Amin A. Feerasta – Chairperson of the Board assumed office on June 6, 2024. With over 27 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. Mr. Nooruddin Feerasta – Non-Executive Director is the Sponsor Director and CEO/Chairman of several Rupali Group companies. With over 40 years of industrial experience, he specializes in operations, finance, and legal affairs. He holds a BBA from the USA and is a member of the Board's Credit and Audit Committees. Mr. Ahmed A. Feerasta – Non-Executive Director is a young entrepreneur and CEO of Rupali Foods. A University of Texas at Austin graduate, he brings experience in corporate procurement, finance, and marketing. He is also a Certified Director. Mr. Manzoor Ahmed – Non-Executive Director (NIT Nominee) is the Chief Operating Officer (COO) of National Investment Trust Limited, overseeing a portfolio exceeding PKR 215bln with experience of over 35 years in mutual funds. He holds an MBA, D.A.I.B.P., is pursuing CFA Level III, and is a Certified Director. Mr. Jamil Hassan Hamdani – Independent Director has extensive international banking experience since 1973. He retired as MD of Credit Agricole Indosuez (Suisse) SA and chaired the Pakistan-France Business Alliance. He chairs the Bank's Audit Committee and is a member of other key board committees. He is a Certified Director. Ms. Navin Salim Merchant – Independent Director is a Supreme Court Advocate with over 30 years of legal experience. She served as an ADR Expert at IFC (World Bank Group) and leads the ICC ADR Commission Pakistan and IBA DRF. She is an Independent Director on several boards and a member of the Chartered Institute of Arbitrators. Dr. Sohail Razi Khan – Independent Director brings extensive experience in corporate strategy, finance, and business transformation, having held senior leadership roles with multinational organizations. He holds a PhD, MBA, MSc, and MA from institutions in England and is a Certified Director. 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 serve as the external auditors for SNBL, and have issued an unmodified (unqualified) opinion on the financial statements for the year ended 31 December 2025.

Management

The Bank's operations are structured across thirteen key functions and organized into Northern, Central, and Southern regions to ensure effective oversight, coordination, and operational efficiency. SNBL's management team comprises experienced professionals, led by **Mr. Ahsan Mushahid Siddiqui – Acting President & CEO**, who brings over three decades of experience in the banking sector, encompassing commercial banking, strategic planning, business development, and operational management. His extensive banking expertise supports the Bank's continued focus on growth, service enhancement, and institutional strengthening. The Bank has established eight management committees, all chaired by the CEO, including the Management Committee (MANCOM), Executive Credit Committee (ECC), Compliance Committee, Asset & Liability Committee (ALCO), IT Steering Committee, Operational Risk Management Committee (ORMC), Credit Risk Management Committee (CRMC), and Business Continuity Plan Steering Committee (BCPSC). These committees provide structured oversight and facilitate effective decision-making, governance, and risk management across key areas. SNBL continues to enhance its risk management framework through investments in technology, systems, and internal processes. The Bank has strengthened its Operational Risk Rating (ORR) monitoring mechanism through in-house developments and external consultancy support. Furthermore, upgrades to the data center, disaster recovery infrastructure, and implementation of a data warehouse have enhanced business continuity, information management, and analytical capabilities. The Bank's comprehensive risk management framework enables proactive identification, assessment, and mitigation of risks, while Board and committee-level oversight ensures regulatory compliance, policy adherence, and sound governance practices.

Business Risk

During 1QCY26, Pakistan's banking sector continued to operate amid a gradually improving macroeconomic environment, supported by easing financial conditions and stable external indicators. The sector maintained resilience with a strong liquidity position and improved capitalization levels. SNBL, a small-sized Bank, holds a customer deposit base of PKR 685.05bln as of Mar'26 (CY25: PKR 689.11bln). On such basis, the market share of deposits of the Bank remained at 1.8% (Dec'25: 1.7%). The Bank's asset base stood at PKR 836.13bln (CY25: PKR 852.48bln), while investments increased to PKR 492.74bln (CY25: PKR 479.25bln). Net advances of the Bank stood at PKR 223.85bln (CY25: PKR 214.32bln), reflecting growth in lending activity. During 1QCY26, SNBL's net mark-up income decreased by 17.96% YoY to PKR 5.98bln (1QCY25: PKR 7.29bln), mainly due to margin compression amid a declining interest rate environment. However, the decline was partially offset by a notable increase in non-mark-up income, which improved by 80.17% YoY to PKR 2.82bln (1QCY25: PKR 1.56bln), supported by higher foreign exchange income, commission-based revenue, and gains on securities. Consequently, the Bank's total income remained stable at PKR 8.80bln (1QCY25: PKR 8.85bln). The Bank's asset yield moderated due to lower interest rates, whereas the cost of funds improved to 6.94% (CY25: 7.7%). The deposit mix strengthened, with CASA ratio improving to 86.99% (CY25: 81.86%), supporting funding efficiency. Non-mark-up expenses increased by 28.30% YoY to PKR 6.69bln (1QCY25: PKR 5.21bln), mainly due to continued branch expansion, with the network reaching 674 branches as of Mar'26 (CY25: 670 branches). The Bank's profitability profile remained adequate, with profit after taxation increasing by 16.72% YoY to PKR 1.34bln (1QCY25: PKR 1.15bln), supported by diversified income streams and reversal in credit loss allowance. Asset quality improved, with NPL ratio declining to 2.93% as of Mar'26 (CY25: 3.41%). Going forward, the Bank aims to further enhance its outreach through branch expansion and digital initiatives while focusing on sustainable growth, deposit mobilization, and maintaining compliance with regulatory capital requirements.

Financial Risk

At end-Mar'26, SNBL's net advances increased by 4.44% and were reported at PKR 223.85bln (end-Dec25: PKR 214.32bln). The Bank's Net Advances to Deposit Ratio (ADR) stood at 32.68% (end-Dec25: 31.11%), reflecting a cautious lending approach. The infection ratio improved to 2.93% (end-Dec25: 3.41%), primarily due to a decline in non-performing loans, which stood at PKR 6.76bln (end-Dec25: PKR 7.56bln). The Bank's investment portfolio increased by 2.82% and was reported at PKR 492.74bln (end-Dec25: PKR 479.25bln), with a predominant concentration towards Government securities. The investment portfolio remained largely skewed towards Federal Government securities (~99%), comprising mainly Pakistan Investment Bonds (PIBs) and Market Treasury Bills (MTBs). The higher allocation towards PIBs reflects the Bank's strategy to optimize returns through longer-duration instruments, while maintaining a low-risk investment profile. The Bank's deposit mix remained stable, with Current Accounts (CA) representing 35% (end-Dec25: 32%) and Savings Accounts (SA) comprising 52% (end-Dec25: 51%) of total deposits, supporting the overall funding profile. The Bank's liquidity position remained strong, with Liquid Coverage Ratio (LCR) at 191.81% (end-Dec25: 198.44%) and Net Stable Funding Ratio (NSFR) at 187.86% (end-Dec25: 191.48%), providing adequate cushion against liquidity risk. The Bank remains well capitalized, maintaining adequate buffers above regulatory requirements. The Capital Adequacy Ratio (CAR) stood at 13.98% (end-Dec25: 14.88%), while Tier-I CAR was reported at 10.87% (end-Dec25: 11.31%), in compliance with SBP's minimum thresholds. The Bank's eligible total capital stood at PKR 40.72bln (end-Dec25: PKR 42.44bln), with Risk Weighted Assets reported at PKR 291.37bln (end-Dec25: PKR 285.20bln). The Bank's capital structure is further supported through additional capital instruments, including ADT-I (Tier-I) TFC amounting to PKR 4bln issued in 2018 and Tier-II TFC amounting to PKR 4bln issued in 2022, strengthening the overall capital base and providing additional loss absorption capacity. The leverage ratio stood at 3.10% (end-Dec25: 3.23%), remaining above the regulatory requirement. Going forward, SNBL aims to maintain a balanced growth strategy through optimized asset allocation, efficient liquidity management, and strengthening of its capital buffers to support sustainable operations.

Instrument Rating Considerations

About the Instrument	The Bank has issued rated, listed, unsecured, subordinated, ten years tenured term finance certificates ("TFCs" or the "Instrument") with an issue size of PKR 4bln bearing exercisable call option after five years of the issue date. As per the lock-in clause requirements for Tier 2 issues, neither profit nor principal will be payable in respect of TFC, if such payment will result in a shortfall in the bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or results in an increase in any existing shortfall in MCR or CAR. Additionally, as required by the SBP, the issuer shall also monitor its Leverage Ratio (LR) requirements before any profit or principal repayment in respect of the TFC. The Bank may call the TFCs (either partially or in Full), with prior approval of SBP, any time after five years from the date of issue, subject to not less than 30 days prior notice being given to the investors. The call option once announced will not be revocable. In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be fully and permanently converted into ordinary shares and/or have them immediately written off (partially or inn full) upon the PONV Trigger Event. The Issue amount will contribute toward the Issuer's Tier II Capital for capital adequacy ratio as per guidelines set by SBP and have a floating rate coupon priced @6MK+1.70%. The first such profit payment will fall due at the end of sixth (6th) month from the Issue Date and subsequently every six (06) months thereafter. The instrument will redeem 0.36% of the issue amount during the first 9 years after the Issue Date and the remaining issue amount of 99.64% in two equal semi-annual installments of 49.82% each in the last year.
Relative Seniority/Subordination of Instrument	The TFC will be subordinated to the payment of principal and profit, to other indebtedness of the Bank, including deposits, but will rank pari passu with other Tier 2 instruments and superior to Additional Tier-I instruments. The instrument is subject to the loss of absorbency and/or any other requirements under SBP's Basel III Capital Rules.
Credit Enhancement	The instrument is unsecured.

Soneri Bank Limited | Tier 2 Capital TFC | PKR 4bln | Dec'22

FINANCIAL SUMMARY

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(PKR mln)

	Mar-26 3M	Dec-25 12M	Dec-24 12M	Dec-23 12M
A. BALANCE SHEET				
1. Stage I | Advances - net	190,746	188,266	225,866	203,655
2. Stage II | Advances - net	32,068	25,014	15,086	0
3. Stage III | Non-Performing Advances	6,761	7,559	7,883	10,497
4. Stage III | Impairment Provision	(5,730)	(6,514)	(7,096)	(8,398)
5. Investments in Government Securities	487,584	473,939	381,083	306,161
6. Other Investments	5,161	5,308	3,223	4,180
7. Other Earning Assets	0	30,598	8,598	0
8. Non-Earning Assets	119,542	128,307	104,857	142,467
Total Assets	836,133	852,477	739,499	658,562
6. Deposits	685,051	689,106	543,146	517,869
7. Borrowings	74,115	69,640	117,369	76,740
8. Other Liabilities (Non-Interest Bearing)	43,278	56,944	48,174	35,339
Total Liabilities	802,444	815,690	708,690	629,949
Equity	33,688	36,787	30,810	28,613
B. INCOME STATEMENT				
1. Mark Up Earned	19,642	84,375	114,093	98,033
2. Mark Up Expensed	(13,662)	(57,333)	(89,146)	(75,275)
3. Non Mark Up Income	2,817	8,133	6,755	6,459
Total Income	8,796	35,176	31,702	29,217
4. Non-Mark Up Expenses	(6,691)	(24,224)	(19,525)	(15,471)
5. Provisions/Write offs/Reversals	689	654	461	(1,389)
Pre-Tax Profit	2,795	11,606	12,638	12,357
6. Taxes	(1,456)	(7,049)	(6,737)	(6,282)
Profit After Tax	1,339	4,558	5,901	6,075
C. RATIO ANALYSIS				
1. Performance				
Net Mark Up Income / Avg. Assets	2.8%	3.4%	3.6%	3.7%
Non-Mark Up Expenses / Total Income	76.1%	68.9%	61.6%	53.0%
ROE	15.2%	13.5%	19.9%	24.4%
2. Capital Adequacy				
Equity / Total Assets (D+E+F)	4.0%	4.3%	4.2%	4.3%
Capital Adequacy Ratio	14.0%	14.9%	17.7%	18.4%
3. Funding & Liquidity				
Liquid Assets / (Deposits + Borrowings Net of Repo)	71.7%	70.7%	59.7%	56.2%
Net Financial Assets to Deposits Ratio [(Total Finances - net + Non-Performing Finances - net) / Deposits]	33.65%	32.20%	44.81%	39.73%
Current Deposits / Deposits	33.7%	29.9%	30.1%	30.4%
Saving Deposits / Deposits	53.3%	52.0%	51.8%	48.8%
4. Credit Risk				
Impaired Loan Ratio | [Stage III | Non-Performing Advances / Gross Advances]	2.9%	3.4%	3.1%	4.9%

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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
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 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))**
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      iii. The analyst is not a substantial shareholder of the customer being rated by PACRA **[Annexure F; d-(ii)]**
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   iv. PACRA ensures that the rating assigned to an entity or instrument is not 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))**
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   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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