The Pakistan Credit Rating Agency Limited

Rating Report

AL Habib Capital Markets (Pvt.) Limited | BFR

Report Contents

Rating History				
Dissemination Date	Rating	Outlook	Action	Rating Watch
17-Jul-2026	BFR 2+	Stable	Maintain	-
18-Jul-2025	BFR 2+	Stable	Maintain	-
19-Jul-2024	BFR 2+	Stable	Maintain	-
19-Jul-2023	BFR 2+	Stable	Maintain	-
19-Jul-2022	BFR 2+	Stable	Maintain	-
19-Jul-2021	BFR 2+	Stable	Initial	-

Rating Rationale

Factor	Comment
Ownership	The assigned rating incorporates the business acumen of the primary sponsor "Bank Al Habib Limited", which owns ~67% of the ownership. The remaining shares are held by the Habib Family, friends and associates.
Governance	The Company has 5 directors on board, 4 non executive and 1 executive director. Representation of the primary sponsor on the board is well noted. The addition of independent directors to the board would strengthen governance oversight.
Management and Client Services	The Company has well developed organizational structure to manage its operations and appropriate policies to protect the clients interest.
Internal Controls and Regulatory Compilance	The Company maintains a dedicated internal audit function, supported by the board Audit Committee. The risk assessment approach is guided by established KYC, CDD, AML, and CFT practices.
Business Sustainability	The Company's revenue remains concentrated in equity brokerage, which stood at ~PKR 74mln in 1QCY26 (SPLY: ~PKR 43mln), while the total revenue stood at ~PKR 105mln.
Financial Sustainability	The prop book of the Company constitutes 10% of the equity and stood at ~PKR 157mln at end Mar '26. Pakistan Investment Bonds (PIBs) contribute ~63% to the prop book at end Mar '26.

Key Rating Drivers

AL Habib Capital Markets (Pvt.) Limited ("AHCML" or "the Company") maintains a diversified operating model anchored in equity brokerage. Supported by improving macroeconomic conditions and favorable equity market activity during 1QCY26, the Company benefitted from income from MTS ~PKR 10mln, client fund management ~PKR 7mln, gains on PSX/NCCPL exposures ~PKR 6mln, alongside improved brokerage income, supporting profitability. Capitalization strengthened through internal accruals, with equity at ~PKR 567mln (Dec'25: ~PKR 579mln) and LCB increasing to ~PKR 387mln (Dec'25: ~PKR 378mln) by end-1QCY26. Fiduciary standards across client asset protection, segregation of client assets, compliance architecture, and risk management remain embedded within the control environment and continue to underpin the rating. Nevertheless, governance remains sponsor-centric and revenue concentration persists. Going forward, strengthening governance architecture, operational controls, client asset safeguards, proprietary risk governance, and revenue diversification will remain important to preserving fiduciary standards and reinforcing the overall control environment.

Disclosure	
Name of Rated Entity	AL Habib Capital Markets (Pvt.) Limited | BFR
Type of Relationship	Solicited
Purpose of the Rating	Broker Fiduciary Rating (BFR)
Applicable Criteria	Methodology | Rating Modifiers(Apr-25),Assessment Framework | Broker Fiduciary Rating(Jan-26)
Related Research	Sector Study | Brokerage Firms(Feb-26)
Rating Analysts	Usama Ali | usama.ali@pacra.com | +92-42-35869504

Profile

Background Al Habib Capital Markets (Pvt.) Limited, 'AHCML' or 'The Company' is a licensed TREC holder of the Pakistan Stock Exchange and was incorporated under the Companies Ordinance 1984 in 2005 as a private limited company.

Operations AHCML's service offering includes Equity Brokerage and Economic and Investment Research. The clientele of the company is segmented into three categories 1) HNWI's 2) Financial Institutions 3) Retail.

Ownership

Ownership Structure Bank AL Habib (BAHL) is a major shareholder of AHCML, accounting for two-third of the ownership. The remaining one-third is held by Habib Family, friends and associates.

Stability Habib Group has been historically involved in the banking sector for about 80 years. BAHL operates through a fast growing network of 1323 branches/ sub-branches, including 276 Islamic banking branches at end March '26.

Business Acumen The CEO Mr. Aftab Q. Munshi possesses diversied experience in capital markets. He is serving on the Board of Directors of AHCML as Chief Executive since its incorporation. Mr. Munshi served with the Jahangir Siddiqui Group for almost 12 years in multiple roles. He headed their Equity Operations for 5 years.

Financial Strength The sponsors have sizeable net worth and may provide support the Company with increasing quantum of operations. Bank AL Habib enjoys a rating of AAA, assigned by PACRA. The assets of BAHL stood at ~PKR 3.3Tr at end March '26.

Governance

Board Structure The company has 5 directors on the board including CEO and Chairman. There are 4 non-executive directors and 1 executive director.

Members' Profile The board possess the necessary skills and experience required for capital markets. The board members on average possess ~20 years of experience in the field of finance and capital markets and are Bank nominated.

Board Effectiveness During the period under review, three board meetings were conducted and attended by the majority of the board members. The board is always provided with MIS pack prior to the meeting and the meeting discussions are properly documented in the form of minutes.

Financial The external auditors of the company are KPMG Taseer Hadi & Co., Chartered Accountants. The auditor is QCR rated by ICAP and is in the A Category of SBP's panel of auditors.

Management And Client Services

Organizational Structure The Company has well developed organizational structure to manage its operations and appropriate policies to protect the client's interest and to preserve their good faith and trust. The Company operates through one branch office and the Head Office is located in Karachi. The COO and CFO report to the Company's CEO.

Management Team The management of AHCML is well qualified and experienced to manage the Company's operations efficiently. The CFO Mr. Rizwan Hashmi is a fellow member of Association of Chartered Certied Accountant. He has been serving as CFO & Company Secretary of AL Habib Capital Markets (Pvt.) Limited since March 2017.

Client Servicing AHCML regularly publishes reports on market strategy, economy, daily news, and market updates. AHCML has provided links to relevant institutions and departments on their website. Moreover, various channels, including a mobile app and online trading platforms, are available to execute and monitor the transactions.

Complaint Management A designated officer has been assigned the responsibility for handling and rectification of complaints. Complaints can also reach the Company through telephone, email, and website. Direct links for PSX and SECP are also available on website to lodge complaints.

Extent Of Automation / Integration AHCML has comprehensive and effective IT arrangement to deal with dynamic technological environment prevailing in the capital markets arena. The "Catalyst System" is deployed for online trading transactions with PSX and online monitoring of the margin exposure.

Continuity Of Operations AHCML has established a recovery plan for all essential infrastructure elements, systems, networks, and key business activities. The business continuity plan provides a framework for business departments if a major incident occurs, causing disruption to pre-defined critical services.

Internal Controls And Regulatory Compliance

Risk Management Framework The Company has in-house internal audit department, which monitors implementation of the policies and procedures of AHCML. Audit Committee further ensures an effective control environment. For an effective control environment and compliance with reporting standards, AHCML has constituted an Audit Committee and Investment Committee at the board level. Management Committee of AHCML reviews/monitors risk management of the Company amongst other matters.

Regulatory Compliance Compliance Department ensures regular monitoring of controls and systems, which ensures that all functions are in-line with the applicable policies, procedures and regulations. Research analyst policy has also been formulated.

Business Sustainability	**Operating Environment** Pakistan's brokerage sector continued to demonstrate resilience through 1QCY26, supported by increasing digital adoption, regulatory reforms, and improving investor participation. The PSX hosts over 400 licensed brokers, serving a growing retail investor base alongside foreign institutional investors. Although retail participation remains relatively low compared to regional peers, significant growth potential persists, supported by the expansion of online trading platforms and digital brokerage services. Following the strong performance recorded during CY25, the equity market maintained positive momentum in 1QCY26, underpinned by improving macroeconomic conditions, easing inflation, stable interest rates, and continued investor preference for equities. Nevertheless, the market remains susceptible to external shocks, with domestic political developments, regional geopolitical events, and global macroeconomic conditions capable of driving heightened market volatility. **Performance** The Company's operating revenue is mainly concentrated in equity brokerage. During 1QCY26 equity brokerage revenue increased to ~PKR 74mln from ~PKR 43mln in SPLY which is ~72% increase. Profit after Tax stood at ~PKR 22mln (SPLY: ~PKR 10mln). **Strategy** The management is considering diversifying its revenue streams and client outreach. The Company also has a plan to initiate corporate finance activities.
Financial Sustainability	**Credit Risk** For the assessment of client's creditworthiness, the Company has formulated detailed KYC/CDD policies. Limits have been defined, which are strictly monitored. The exposure limits as a whole and on individual basis are monitored and any shortfalls are immediately reported to senior management for prompt action. **Market Risk** AHCML is maintaining the prop book that increases its exposure to the market risk. However, to mitigate the risk, the Company has invested majorly in the government securities and placed strategic equity investments. The prop book of the Company constitutes 10% of the equity and stood at ~PKR 157mln at end Mar '26. Pakistan Investment Bonds (PIBs) contribute ~63% to the prop book at end Mar '26. **Liquidity Risk** At the end March '26, the current assets of the Company were ~PKR 1,250mln (Dec '25: ~PKR 2,599mln) against the current liability of ~PKR 702mln (SPLY: ~PKR 2,041mln). **Capitalization** The Company has an adequate capitalization level with regulatory Liquid Capital Balance (LCB) standing at ~PKR 387mln as at March '26.

THE PAKISTAN CREDIT RATING AGENCY

Al Habib Capital Market Limited
PRIVATE LIMITED
FINANCIAL SUMMARY

FS PRINT MODE DISABLED

		Mar-26 CY26 3M Management	Dec-25 CY25 12M Audited	Dec-24 CY24 12M Audited	Dec-23 CY23 12M Audited
BALANCE SHEET					
1	FINANCES	1.97	1.84	180.53	2.76
2	INVESTMENTS	157.33	190.68	147.80	100.91
3	OTHER EARNING ASSETS	479.48	694.87	568.06	74.03
4	NON-EARNING ASSETS	640.35	1,742.68	852.81	1,194.23
5	NON-PERFORMING FINANCES-net	1.41	1.41	-	-
	TOTAL ASSETS	**1,279.13**	**2,630.08**	**1,749.21**	**1,371.93**
6	FUNDING	96.67	607.35	575.00	590.47
7	OTHER LIABILITIES (NON-INTEREST BEARING)	615.06	1,443.40	708.16	405.15
	TOTAL LIABILITIES	**711.73**	**2,050.74**	**1,283.16**	**995.62**
	TOTAL EQUITY	**567.41**	**579.34**	**466.04**	**376.38**
INCOME STATEMENT					
INCOME					
1	FEE BASED INCOME	88.75	295.29	266.18	117.70
2	OPERATING EXPENSES	(59.72)	(210.98)	(160.37)	(132.45)
3	NON-FEE BASED INCOME	16.42	78.88	53.74	80.27
	TOTAL OPERATING INCOME (LOSS)	**45.45**	**163.19**	**159.55**	**65.52**
4	FINANCIAL CHARGES	(12.24)	(55.54)	(79.54)	(58.56)
	PRE-TAX PROFIT	**32.56**	**107.00**	**78.40**	**6.96**
5	TAXES	(10.14)	(32.57)	(23.89)	(3.78)
	PROFIT AFTER TAX	**22.42**	**74.44**	**54.51**	**3.18**
RATIOS					
BUSINESS SUSTAINABILITY					
1	PRE-TAX MARGIN	0.37	0.36	0.29	0.06
2	EBITDA MARGIN	0.50	0.55	0.59	0.58
3	EBIT RETURN ON ASSETS	0.13	0.07	0.10	0.06
FINANCIAL SUSTAINIBILITY					
1	TOTAL INVESTMENTS / EQUITY	0.28	0.33	0.32	0.27
2	LIQUID CAPITAL BALANCE (LCB) / EQUITY	0.68	0.65	0.66	2.47
3	(CASH, CASH EQUIVALENTS & GOVERNMENT SECURITIES) / TOTAL ASSETS	0.50	0.34	0.41	0.13
4	TOTAL DEBT / TOTAL ASSETS	0.08	0.23	0.33	0.43

Broker Fiduciary Rating Scale & Definitions	
An independent opinion on a broker's quality of management and client services, and the sustainability of operations	
Scale	**Definition**
BFR 1	Very Strong. Very Strong quality of management and client services, and a very high likelihood of sustaining operations.
BFR 2++ BFR 2+ BFR 2	Strong. Strong quality of management and client service, and a high likelihood of sustaining operations
BFR 3++ BFR 3+ BFR 3	Good. Good quality of management and client service, and average likelihood of sustaining operations.
BFR 4++ BFR 4+ BFR 4	Adequate. Adequate quality of management and client service, and average likelihood of sustaining operations.
BFR 5	Weak. Weak quality of management and client service, and a weak likelihood of sustaining operations.

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 the foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany the rating outlook of the respective opinion.	It is not possible to update an opinion due to a lack of requisite information. Opinion should be resumed in the 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 a revision in the 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".

Regulatory and Supplementary Disclosure

(Credit Rating Companies Regulations,2016)

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

Restrictions

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
(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)

Independence & Conflict of interest

(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)

Proprietary Information