RATING REPORT

Sindh Bank Limited

REPORT DATE:
June 30, 2025

RATING ANALYSTS:
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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA-	A1+	AA-	A1+
Outlook/ Rating Watch	Stable		Stable	
Action	*Re-affirmed*		*Upgrade*	
Date	*June 30, 2025*		*June 28, 2024*	

COMPANY INFORMATION

Incorporated in 2010	External auditors: **Riaz Ahmad & Company Chartered Accountants**
Public Unlisted Company	Chief Executive Officer: **Mr. Muhammad Anwaar**
Key Shareholders (with stake 5% or more):	
Government of Sindh, Finance Department – 99.97%	

APPLICABLE METHODOLOGY

Financial Institution
https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf

VIS Rating Scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Sindh Bank Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

Sindh Bank Limited was incorporated as a public limited unlisted company in October 2010. Government of Sindh has 99.9% shareholding in the Bank. The Bank was operating with a network of 330 branches at end-2024

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The ratings assigned to SNDB reflect its status as a wholly owned entity of the Government of Sindh through its Finance Department, which serves as the principal sponsor. The ownership structure implies sub-sovereign support, also demonstrated through the most recent capital enhancement.

Asset quality has also shown visible improvement. Non-performing loans (NPLs) have declined, supported by recoveries and a pivot towards government-backed and low-risk lending segments. Provisioning coverage has strengthened under a more conservative approach aligned with the IFRS-9 framework, ensuring buffers against potential credit losses. These measures have contributed to a meaningful reduction in net infection levels.

On the funding side, the Bank's deposit base has expanded, even as government deposits continue to form a significant portion of the funding mix. Liquidity indicators remain strong, with regulatory liquidity requirements well surpassed.

Profitability indicators have seen moderate improvement, supported by higher net markup income and reversal of credit losses. Despite rising operating expenses and lower non-markup income, the bottom line has improved, contributing to capital strengthening. However, a declining interest rate environment is likely to compress margins going forward, posing a challenge to sustaining profitability levels which has been partially mitigated by growth in current deposit base.

The rating takes into account the improvement in the Bank's capital adequacy position. The increase in equity, driven by reduction in accumulated losses and moderated credit expansion, has enhanced the Bank's loss absorption capacity. Moreover, the institution maintains a strong Tier I capital base.

The Bank's strategic plan emphasizes digital transformation, financial inclusion, and Islamic banking expansion through conversion of conventional branches. Ongoing investments in IT infrastructure and operational efficiency are expected to enhance service delivery and cost-effectiveness. Governance and oversight remain satisfactory, with active participation of the Board and senior management in strategic and risk-related matters.

Future rating actions will depend on the Bank's ability to sustain earnings, further improve asset quality, and deposit mix concentration while continuing prudent credit underwriting and risk management practices.

Banking Sector

In 2024, Pakistan's banking sector remained resilient, supported by improving macroeconomic conditions. Inflation receded from the previous year's highs, the currency stabilized, and fiscal consolidation progressed, enabling steadier economic activity. Meanwhile, the aggregate balance sheet of commercial banks expanded significantly — rising by approximately 15.8% during the year to reach around PKR 53.7 tn. As of Dec'24, deposits had grown by about 9.2% year-on-year to over PKR 31.8 tn, driven by favorable interest rates during much of the year and financial inclusion efforts. In a move to enhance depositor confidence and systemic stability, the Deposit Protection Corporation (DPC) raised insured limits to PKR 1 mn per depositor in late 2024.

The divergence between deposit and asset growth is explained by superior equity growth and more notably interbank transactions backed by and channeled into the purchase of government securities to magnify positive spreads through volumes. A substantial portion of the deposit growth during the first three quarters of 2024 was also directed into government securities. In the final quarter, private-sector advances gained significant traction, as banks sought to comply with the regulatory directive mandating that outstanding advances be maintained at a minimum of 50% of respective deposit bases, in order to avoid incremental taxation of up to 15%. Consequently, the advance-to-deposit ratio stood at 53.2% by year-end.

Financial performance in 2024 remained broadly stable. Aggregate after-tax profitability trend remained flat, with SBP data indicating a marginal increase in after-tax profits to PKR 644.0 bn (2023: PKR 642.0 bn). Net interest margins and net interest income was steady; however, the monetary easing initiated in June 2024, along with increased provisioning requirements, exerted pressure on returns. As a result, key profitability indicators—Return on Average Assets (ROAA) and Return on Average Equity (ROAE)—moderated slightly.

Capital buffers remained strong. The industry's capital adequacy ratio (CAR) rose to approximately 20.4% by end-2024 (2023: 19.4%), remaining well above the regulatory minimum.

Asset quality continued to improve during 2024. The non-performing loan (NPL) ratio declined to approximately 6.3% (2023: 7.6%). Following the implementation of IFRS-9 in 2024, specific provisioning coverage for Stage-3 assets rose to 83.8% (2023: 81.3%), while general provisioning coverage against performing advances increased to 1.4% (2023: 0.9%). Regulatory authorities maintained a strong focus on prudent provisioning and risk management practices, including adherence to Basel III capital standards, which supported containment of credit risk. Large corporate borrowers generally remained creditworthy, underpinned by adequate liquidity and repayment capacity.

Looking ahead, Pakistan's commercial banking sector appears well-positioned, underpinned by strong fundamentals, though it must navigate a landscape of mixed opportunities and risks. The sharp monetary easing in the second half of 2024—reducing policy rates from 22% to around 11% by early 2025—was supported by a marked decline in inflation to single digits, creating room for continued gradual policy support. In this evolving macroeconomic environment, banks may face some compression in net interest margins, while the pace of credit expansion will depend on the strength of economic recovery and borrower demand. If growth momentum strengthens, lending to SMEs and consumers is expected to rebound, aided by regulatory incentives and targeted refinance schemes.

Simultaneously, sustained efforts in digital transformation and financial inclusion—including the expansion of instant payment systems and broader outreach to underserved market segments—are expected to improve operational efficiency and deepen market penetration. While fiscal and external vulnerabilities may moderate the pace of policy easing and credit growth, the sector enters 2025 with improved asset quality, strong capitalization, and ample liquidity buffers. Overall, the outlook remains one of cautious optimism, supported by continued regulatory facilitation and a more stable macroeconomic environment, laying the groundwork for gradual and broad-based growth.

Sindh Bank Limited — Appendix I

FINANCIAL SUMMARY				(PKR in millions)
BALANCE SHEET	**31-Dec-22**	**31-Dec-23**	**31-Dec-24**	**31-Mar-25**
Investments	254,553	166,503	201,165	232,615
Net Advances	43,802	50,623	72,546	70,811
Total Assets	357,850	300,483	360,087	382,523
Borrowings	106,935	37,546	1,458	30,900
Deposits & other accounts	223,044	223,570	312,718	307,708
Tier-1 Equity	2,289	7,865	14,225	13,747
Paid-up Capital	29,524	34,524	34,524	34,524
Shareholder's Equity	17,151	24,472	29,152	29,043
INCOME STATEMENT	**CY22**	**CY23**	**CY24**	**1QCY25**
Net Markup income	5,316	7,993	8,602	2,352
Net Provisioning charge	(1,939)	(1,024)	2,049	40
Non-Markup Income	1,089	1,866	1,315	324
Administrative expenses	6,726	8,119	9,460	2,463
Profit/ (Loss) Before Tax	(2,269)	657	2,502	252
Profit / (Loss) After Tax	(1,385)	2,165	2,770	120
RATIO ANALYSIS	**CY22**	**CY23**	**CY24**	**1QCY25**
Market Share (Advances) (%)	0.6%	0.6%	0.6%	0.7%
Market Share (Deposits) (%)	1.0%	0.8%	1.0%	1.0%
Advances to Deposits Ratio (%)	30.9%	22.6%	23.2%	23.0%
Liquid Assets to Deposits & Borrowings (%)	82.0%	81.7%	79.9%	77.8%
NPLs	34,967	33,100	30,079	29,836
Gross Infection (%)	49.3%	42.7%	30.4%	30.7%
General Provisioning Coverage (%)	0.0%	0.0%	1.9%	1.9%
Net Infection (%)	18.0%	12.3%	6.7%	6.6%
Cost of deposits (%)	7.9%	13.6%	13.4%	7.8%
Net NPLs to Tier-1 Capital (%)	343.1%	79.0%	31.9%	31.6%
Tier-1 CAR (%)	5.4%	16.2%	20.1%	18.8%
Capital Adequacy Ratio (CAR) (%)	5.4%	16.2%	21.4%	20.0%
LCR (%)	352.0%	425.0%	383.0%	436.0%
NSFR (%)	203.0%	202.0%	245.0%	201.0%
Markup Spreads (%)	2.3%	3.8%	4.3%	3.5%
Efficiency (%)	102.6%	85.4%	97.6%	93.7%
ROAA (%)	-0.4%	0.7%	0.8%	0.13%
ROAE (%)	-7.3%	9.9%	10.3%	1.7%

**Annualized*

*** Adjusted for repo and collateral*

**** Adjusted for SBP refinancing schemes*

REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Sindh Bank Limited
Sector	Commercial Banks
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action
RATING TYPE: ENTITY				
6/30/2025	AA-	A1+	Stable	Re-affirmed
6/28/2024	AA-	A1+	Stable	Upgrade
6/27/2023	A+	A1	Stable	Re-affirmed
6/28/2022	A+	A1	Stable	Re-affirmed
6/30/2021	A+	A1	Stable	Re-affirmed
6/30/2020	A+	A1	Stable	Re-affirmed
6/28/2019	A+	A1	Stable	Downgrade
6/28/2018	AA	A1+	Rating Watch-Developing	Re-affirmed
6/30/2017	AA	A1+	Rating Watch-Developing	Maintained
6/28/2016	AA	A1+	Stable	Re-affirmed
6/30/2015	AA	A1+	Stable	Re-affirmed
12/23/2014	AA	A1+	Stable	Upgrade
6/30/2014	AA-	A1+	Positive	Maintained
6/28/2013	AA-	A1+	Stable	Maintained
5/21/2012	AA-	A1	Stable	Reaffirmed

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
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Due Diligence Meeting Conducted

Name	Designation	Date
Mr. Muhammad Anwaar	President & CEO	4-June-2025
Mr. Syed Assad Ali	Deputy CEO	
Mr. Dilshad Hussain Khan	Chief Financial Officer	
Ms. Ruqaya Marghoob Rizvi	Head of Corporate and Investment Banking	
Mr. Zubair Aziz	Head of Treasury & Financial Institutions	
Ms. Sadia Bukhari	Head of Risk Management	