

NRSP MICROFINANCE BANK LIMITED

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	May 05 th , 2026		May 05 th , 2025	

Shareholding (5% or More)

National Rural Support Program ~ 81.75%

PROPARCO ~ 6.81%

International Finance Corporation (IFC) ~ 6.86%

Other Information

Incorporated in 2008

Public Limited Company

Chairman: Dr. Rashid Bajwa

President & CEO: Mr. Riaz Bangash

External Auditor: Yousuf Adil Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria: Non-Bank Financial Companies

<https://docs.vis.com.pk/Methodologies-2025/NBFC-Nov-2025.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The assigned rating to NRSP Microfinance Bank Limited's ('NRSPMFB' or the 'MFB') draws support from an experienced management team and strong institutional sponsors, notably the National Rural Support Programme (NRSP). During CY25, the parent organization injected equity of PKR 2.0bn, resulting in an increase in the Bank's equity base and supporting improvement in its Capital Adequacy Ratio to above the regulatory minimum. However, full recognition of the additional ECL allowance highlighted in the auditor's report as an emphasis of matter, having been deferred by the MFB with SBP's approval, would have resulted in the MFB's CAR remaining below the minimum regulatory requirement, albeit having improved from prior year. The MFB's liquidity profile is supported by adequate liquid asset buffers. Net earnings improved on account of higher net markup income and improved spreads, despite a decline in non-markup income and increased operating and provisioning expenses. However, a sizable gain on sale of investments was realized, as prices rose following the sharp decline in policy rates, which will likely not repeat in the current year.

The MFB has also realigned its portfolio towards secured lending, with a notable rise in the share of collateralized exposures, primarily gold-backed loans, which is expected to support risk mitigation over the medium term. However, reported asset quality indicators weakened during the review period, with increased volumes of credit assets classified as Stage-3 loans, leading to a decline in provisioning coverage levels. The bank has indicated phased recognition of expected credit loss against stage 3 assets. Going forward, the NRSPMFB's strategy focuses on expanding its secured lending portfolio, particularly gold-backed financing, introducing new secured products including solar and supply-chain financing solutions, and expanding its branch network. The Bank's credit profile depends on the successful execution of these initiatives boosting core earnings to allow room for absorption of stage-3 asset losses over the next five quarters as planned, along with sustained capital strengthening and effective management of asset quality pressures going forward.

Company Profile

NRSP Microfinance Bank Limited (NRSPMFB or “the MFB”) is licensed by the State Bank of Pakistan to operate as a nationwide microfinance bank under the Microfinance Institutions Ordinance, 2001. The Bank provides microfinance services to the rural low-income segment, with the broader objective of supporting poverty mitigation and promoting social welfare. The MFB is operating 133 branches (CY24: 133) as at end-Dec'25 including 37 (CY24: 37) Islamic branches.

AUDITOR'S OPINION

Yousuf Adil Chartered Accountants, which is categorized as 'Category A' on the SBP's Panel of Auditors, has provided an unqualified and unmodified opinion, affirming that the MFB's financial statements comply with accounting standards and accurately portray the MFB's financial position as of Dec'25. However, the audit report includes emphasis on two key matters. As per Note 12.5, the management has not recognized additional Expected Credit Loss (ECL) allowance amounting to Rs. 1,862mn, in line with an approval granted by the State Bank of Pakistan (SBP). The related note outlines the conditions of staggered recognition and also presents the potential impact on profitability and the Capital Adequacy Ratio (CAR) had the full ECL amount been recognized.

Furthermore, as disclosed in Note 16, the Bank has recognized a net deferred tax asset of Rs. 3,119mn as of December 31, 2025. The recognition of this asset is based on financial projections approved by the Board, reflecting management's expectation of sufficient future taxable profits. The recoverability of the deferred tax asset remains dependent on the realization of underlying assumptions regarding future business performance and economic conditions.

Group Profile

Established in 1991, NRSP is the largest Rural Support Programme in the country in terms of outreach, staff and development activities. It is a not-for-profit organization registered under Section 42 of Companies Act 2017 (repealed Companies Ordinance 1984). NRSP's mandate is to alleviate poverty by harnessing people's potential and undertake development activities in Pakistan. It has a presence in 89 Districts in all the four Provinces including Azad Jammu and Kashmir through Regional Offices and Field Offices. NRSP is currently working with more than 3.8 million poor households organized into a network of 257,455 Community Organizations. With sustained incremental growth, it is emerging as Pakistan's leading engine for poverty reduction and rural development.

The Programme holds 81.75% (CY24: 57.4%) of the MFB following a recent injection of PKR 2.0bn into the MFB during CY25.

Management and Governance

CHAIRMAN/CEO PROFILE

Profile of Chairman: Dr. Rashid Bajwa currently serves as the Chief Executive Officer of the National Rural Support Programme (NRSP), where he is responsible for overseeing one of the largest rural development operations in Pakistan. NRSP is mandated to contribute to poverty alleviation by mobilizing community potential and implementing development initiatives across the country.

Profile of CEO: Mr. Riaz Bangash is a seasoned banker with over 30 years of experience across commercial, SME, consumer, and microfinance banking. He holds an MBA from the Institute of Business Administration (IBA), Karachi, and a JAIBP certification from the Institute of Bankers Pakistan, with distinction in credit management. He has attended several strategic-level training programs conducted by institutions such as Frankfurt Business School, LUMS, British Council, World Bank, Stephen Covey, and IBP. Prior to joining NRSP Microfinance Bank, he held senior positions at Habib Bank Limited, Askari Bank Limited, and The Bank of Khyber.

BOARD OF DIRECTORS

The Board of Directors (BoD) at NSRPMFB comprises nine members, including the Chairman and CEO. There are two independent directors, three non-executive directors and the president. The Board includes four nominee directors from NRSP, two independent directors, one nominee director each from Acumen Fund and PROPARGO, and the Chief Executive Officer. Dr. Rashid Bajwa continues to serve as the Chairman of the Board. All members of the BoD possess extensive experience in the microfinance and banking sectors, both locally and internationally. There were no changes in BoD in the review period.

Table 1: Board of Directors

BOARD OF DIRECTORS	
Dr. Rashid Bajwa	Chairman / Director/ NRSP Designate
Shoaib Sultan Khan	Director/ NRSP Designate
Fazlullah Qureshi	Director/ NRSP Designate
Jesse Culain Fripp	Nominee Director PROPARCO
Dr. Shahida Jaffery	NRSP Designate
Dr. Ayesha Khan	Acumen Designate
Stephen Frederick Rasmussen	Independent Director
Shahid Sattar	Independent Director
Riaz Khan Bangash	President/ Ex-Officio

Business Risk

INDUSTRY UPDATE

The microfinance industry experienced a contraction in 2025, with total assets declining by 3.6% to PKR 1.03trn, primarily due to a 35.2% reduction in investments in government securities. Credit growth remained modest at 11.2%, with the Gross Loan Portfolio (GLP) up 15.5% to PKR 536.0bn, alongside a 13.3% increase in deposits to PKR 830.5bn. Borrowings reduced by 55.0% to PKR 91.8bn. Capital adequacy remained a critical concern as the total capital to total RWA ratio shifted from a positive 2.6% in late 2024 to a negative 1.2% by the end of 2025. Asset quality showed mixed signals during 2025. While the Non-Performing Loans (NPLs) to total loans improved slightly from 9.7% in Dec'24 to 9.1% in Dec'25, the underlying volume of NPLs actually rose to PKR 48.9bn (Dec'24: PKR 44.9bn). To mitigate this, institutions significantly increased their coverage, with provisions to NPLs jumping from 95.3% in Dec'24 to 138.1% in Dec'25. Consequently, provisioning charges for the year surged by 22.9%, reaching PKR 48.2bn in 2025.

Operational shifts were also evident in the sector's earnings and reach. The net interest margin improved from 13.9% to 15.6%, and the cost-to-income ratio saw a healthy decline from 89.8% to 70.6%. However, the sector remained loss-making, reporting a profit after tax of negative PKR 2.1bn in 2025. The total number of clients decreased from approximately 9.28 million to 8.34 million, individual lending continued to dominate the portfolio, accounting for 98.8% in 2025.

PRODUCTIVITY

Table 2: Productivity Indicators

PRODUCTIVITY INDICATORS	2022	2023*	2024	2025
No. of Loan Officers	1,140	996	1,111	1,191
No. of Branches	145	133	133	133
No. of Active Borrowers	258,937	189,671	186,798	178,778
LOs/Branch	7.9	7.5	8.4	9.0
Active Borrowers/LO	227.1	190.4	168.1	150.1
Active Borrowers/Branch	1,785.8	1,426.1	1,404.5	1,344.2
Average Loan Size (PKR)	125,071.4	189,402.6	204,016.8	240,559.6

The number of Loan Officers (LOs) increased to 1,191 (CY24: 1,111) as at end-Dec'25, in line with the MFB's medium-term growth strategy. Meanwhile, the number of borrowers declined to 178,778 (CY24: 186,798), reflecting NRSPMFB's strategic focus on improving portfolio quality and safeguarding asset quality through prioritized lending to existing, creditworthy clients. This contributed to a decline in both Active Borrowers/LO and Active Borrowers/Branch metrics during CY25.

Going forward, NRSPMFB plans to expand its geographical coverage through the establishment of new branches across selected urban, semi-urban, and rural locations identified as high-growth areas for microfinance services. Site selection is based on demographic and market analysis, including population levels, income profiles, market demand, competition, infrastructure availability, regulatory environment, and accessibility

considerations. Management also intends to utilize insights derived from field visits, customer surveys, and market research to assess the commercial viability of proposed locations. Relationship-building with local businesses, particularly urban small enterprises and segments within the informal economy, is expected to support branch-level penetration. Staff recruitment for new branches will be undertaken in accordance with NRSPMFB's HR hiring framework, supported by structured training programs to enhance product knowledge and service delivery standards. Pilot implementations are planned prior to full-scale launches to validate operational readiness, followed by ongoing monitoring of performance indicators, including customer acquisition and transaction volumes.

Particularly, MFB's management expects to increase the total branch network, including both Conventional Microfinance Division (CMD) and Islamic Microfinance Division (IMD) branches, from 133 in CY24 to 231 by CY29, representing cumulative growth of 74%. Over the five-year period, IMD branches are projected to increase from 37 to 93, reflecting growth of approximately 151%, while CMD branches are expected to increase from 96 to 138, representing growth of approximately 44%.

LOAN PORTFOLIO

GROSS LOAN PORTFOLIO (GLP)

The gross micro-credit portfolio of the MFB recorded a 12.8% increase, reaching PKR 43.0bn (CY24: PKR 38.1bn) as of Dec'25, primarily driven by an increase in the average loan size. The Bank maintained its focus on extending higher ticket loans to its existing borrower base. Going forward, management anticipates the Gross Loan Portfolio (GLP) to exceed PKR 40bn by end-Dec'26, driven by measured expansion of the loan book, with an increasing share of secured lending.

Table 3: Sector-Wise Portfolio

Sector-wise* (PKR in mn)	Dec'23	%	Dec'24	%	Dec'25	%
Agriculture	12,986.2	42.2%	11,972.6	35.0%	9,442.5	24.44%
Enterprise	2,810.5	9.1%	3,117.1	9.1%	3,249.9	8.41%
Housing Loans	3,813.7	12.4%	5,099.5	14.9%	5,462.6	14.14%
Livestock	422.1	1.4%	200.7	0.6%	137.8	0.36%
Others	10,770.5	35.0%	13,838.9	40.4%	20,340.2	52.65%
Gross Loan Portfolio	30,803.0	100.0%	34,228.8	100.0%	38,632.9	100%

MICROCREDIT PORTFOLIO RISK SEGREGATION

The segment-wise distribution of the GLP in CY25 indicates a shift in composition, with the 'Others' segment—primarily comprising gold-backed lending—accounting for the largest share at 52.7% (CY24: 40.4%), followed by Agriculture at 24.4% (CY24: 35.0%) and Housing at 14.1% (CY24: 14.9%).

Going forward, the MFB plans to diversify its sectoral exposure by expanding its secured product portfolio by focusing on gold loans. Further initiatives include the introduction of secured solar financing for tubewell solarization and residential use, supported through partnerships with housing societies. A supply chain finance solution (reverse factoring) is also under development to provide short-term liquidity to SMEs associated with large anchor corporates.

Table 4: Product Mix (Amount in PKR Millions)

Product Mix* (Rs. in mn)	Dec'23	%	Dec'24	%	Dec'25	%
NRSP MURABAHA	5,258	17.07%	5,200	15.19%	4,688.7	12.14%
ASSAN ZARAI TARQAYATI LOAN	4,693	15.24%	892	2.61%	188.7	0.49%
CASH LOAN	12	0.04%	5	0.02%	7.0	0.02%
DIMINISHING MUSHARAKAH SOLAR	600	1.95%	1,960	5.73%	1,650.5	4.27%

DIMINISHING MUSHARAKAH VEHICLE	86	0.28%	239	0.70%	163.4	0.42%
MICRO ENTERPRISE LOAN	27	0.09%	12	0.04%	4.5	0.01%
NRSP FORI MAKAN	1,120	3.64%	699	2.04%	352.9	0.91%
GENERAL LOAN FOR SALARY/PENSIONERS	266	0.86%	229	0.67%	181.4	0.47%
NRSP ROZGAR MURBAHA GOLD	489	1.59%	459	1.34%	1,858.6	4.81%
GOVT-HOUSING LOAN	107	0.35%	95	0.28%	83.9	0.22%
GOLD ASAN SARMAHA	385	1.25%	-	0.00%	-	0.00%
GREEN ENERGY SOLAR LOAN	10	0.03%	90	0.26%	76.9	0.20%
NRSP ROZGAR IJARAH	581	1.89%	260	0.76%	181.5	0.47%
KARAOBARI SRAMAHA LOAN	49	0.16%	34	0.10%	23.5	0.06%
KISSAN DOST LOAN	-	0.00%	79	0.23%	129.3	0.33%
KISSAN ZARAI TARQAYTI LOAN	898	2.91%	486	1.42%	239.0	0.62%
HOUSING AND BUSINESS ENTERPRISES	2,587	8.40%	4,444	12.98%	5,352.0	13.85%
NRSP ROZGAR MURBAHA SOLAR PRODUCT	874	2.84%	613	1.79%	320.0	0.83%
PRIME MINISTER YOUTH PROGRAM	2,851	9.26%	6,286	18.37%	5,996.0	15.52%
SADABAHAR GOLD LOAN	8,056	26.15%	10,489	30.64%	15,919.4	41.21%
SADABAHAR ZARAI LOAN	1,844	5.99%	1,653	4.83%	1,213.3	3.14%
WOMEN EMPOWERMENT LOAN	11	0.04%	4	0.01%	2.3	0.01%
Gross Loan Portfolio	30,803	100%	34,229	100%	38,633	100%

Table 5: Conventional Vs Shariah (Amounts in PKR Millions)

Conventional vs Shariah (Rs. in mn)	Dec'23	%	Dec'24	%	Dec'25	%
Conventional Loans	21,795	70.8%	24,799	72.5%	29,417	76.1%
Shariah Loans	9,008	29.2%	9,429	27.5%	9,216	23.9%
Gross Loan Portfolio	30,803	100%	34,229	100%	38,633	100%

During the review period, 76.1% (CY24: 72.5%) of loans disbursed by NRSPMFB were under the conventional banking portfolio, with the remaining extended through Shariah-compliant financing. In 2017, the Bank obtained an independent license from the SBP to operate an Islamic Banking window, following which it established its dedicated IMD in line with regulatory requirements. The IMD is supported by a full-time Shariah Advisor to ensure adherence to Shariah principles. In line with SBP's broader Islamic banking transition agenda by 2028, the Bank plans to prioritize the development of its IMD portfolio.

Table 6: Secured vs Unsecured Portfolio (Amounts in PKR Millions)

Secured vs Unsecured (Rs. in mn)	Dec'23	%	Dec'24	%	Dec'25	%
Secured Loans	16,848	54.7%	20,771	60.7%	30,173	78.1%
Unsecured Loans	13,955	45.3%	13,458	39.3%	8,460	21.9%
Gross Loan Portfolio	30,803	100%	34,229	100%	38,633	100%

To manage credit exposure, the management has prioritized increasing the proportion of secured loans within the portfolio. As a result, the share of secured lending witnessed an upward trajectory, reaching 78.1% (CY24: 60.7%) of the total portfolio. Going forward, the MFB plans to increase the share of secured lending to over 80% of the total portfolio by 2028-29.

Table 7: EMI Vs Bullet (Amounts in PKR Millions)

EMI vs Bullet (Rs. in mn)	Dec'23	%	Dec'24	%	Dec'25	%
EMI	14,015	45.5%	12,718	37.2%	12,152	31.5%
Bullet	16,788	54.5%	21,510	62.8%	26,481	68.5%
Gross Loan Portfolio	30,803	100%	34,229	100%	38,633	100%

The share of bullet lending rose to 68.5% (CY24: 62.8%), reflecting the growing concentration of the MFB's secured portfolio, which remains largely backed by gold. Owing to their short-tenor structure and collateralized nature, these loans are typically disbursed on bullet repayment terms, resulting in a higher proportion of such exposures within the overall portfolio. The lending methodology of NRSP Microfinance Bank is based on individual level exposures.

Table 8: Group Vs Individual (Amounts in PKR Millions)

Group vs Individual (Rs. in mn)	Dec'23	%	Dec'24	%	Dec'25	%
Group Based	36	0.12%	4.24	0.01%	2,749	7.1%
Individual	30,767	99.88%	34,224.52	99.99%	35,884	92.9%
Total	30,803	100%	34,228.76	100%	38,633	100%

PROFITABILITY

Table 9: Profitability Metrics

PROFITABILITY	2022	2023*	2024	2025
Return on Markup Bearing Assets	11.0%	24.6%	23.4%	25.4%
Cost of Funds (Deposits)	9.7%	13.2%	14.2%	13.2%
Spreads	1.2%	11.4%	9.3%	12.1%
Operating Self Sufficiency (OSS)	47.8%	110.6%	116.0%	112.8%
Profit After Tax	(4,218.3)	910.8	1,225.3	1,345.8

NRSPMFB's markup income rose to PKR 15.7bn (CY24: PKR 12.5bn), with the increase driven by enhanced returns from securities amounting to PKR 5.0bn (CY24: PKR 1.9bn) during CY25. This was accompanied by a significant reduction in the investment portfolio to PKR 22.9bn (CY24: PKR 120.1bn), indicating active balance sheet repositioning during the year. Additionally, markup income from conventional advances increased to PKR 6.1bn (CY24: PKR 5.6bn). Furthermore, higher income was recognized under government subsidy schemes, including the Kamyab Pakistan Program and the Prime Minister's Youth Loan Program. On the other hand, markup expense rose to PKR 9.3bn (CY24: PKR 8.3bn), driven by a notable increase in markup on borrowings, which rose to PKR 4.1bn (CY24: PKR 1.3bn). The borrowings mainly relate to facilities obtained under government subsidy schemes, with markup recognized using effective interest rate adjustments. Despite this the net markup income recorded an uptick to PKR 6.4bn (CY24: PKR 4.2bn) for the year CY25. Consequently, the net spread improved to 12.1% (CY24: 9.3%), reflecting improvement in the MFB's earning margins.

Non-markup income declined during CY25, primarily due to the absence of branchless banking income (CY24: PKR 72.8mn), along with a reduction in grant income to PKR 49.2mn (CY24: PKR 83.7mn). Moreover, operating expenses witnessed uptick due to higher compensation expenses. Provisioning expenses also increased on a year-on-year basis. Despite this, the MFB's Operational Self-Sufficiency (OSS) Ratio, declined moderately to 112.8% (CY24: 115.9%). Consequently, the Bank posted a net profit of PKR 1.3bn (CY24: PKR 1.2bn) in CY25. Profitability was supported by investment returns being exceptionally high and which may moderate in the coming year. Moreover, had the full ECL amount of PKR 2.3bn been recognized during CY25, the Profit after Tax would have reduced by PKR 1247.7mn.

NRSPMFB's forward profitability strategy is anchored in expansion of its secured lending portfolio and optimizing its funding structure to enable cost effective fund sourcing. Following the achievement of CAR compliance, management plans to expand the branch network to increase outreach in underserved markets, thereby supporting growth in earning assets and markup income. Further growth is expected to be supported through enterprise financing segments, which will generate incremental lending opportunities across value chains. Given the need

to absorb further losses and generally low policy rates with lower expectation of significant gains, profitability may remain range bound this year.

Financial Risk

ASSET QUALITY

Table 10: Asset Quality Indicators (In PKR Millions)

Infection (Rs. in m)	2022	2023*	2024	2025
Net Advances	28,027.8	34,330.5	37,170.3	40,927.4
NPLs/Stage 3 Assets	5,168.6	1,216.6	1,018.5	5,987.3
NPLs written off	3,902.1	4,954.9	1,347.3	797.4
Tier 1 Equity	89.0	2,043.7	3,528.7	6,626.5
Gross Infection	16.0%	3.4%	2.7%	13.9%
Net Infection	3.6%	1.8%	1.1%	9.8%
Incremental Infection	22.1%	2.8%	3.1%	14.5%
Specific Provisioning Coverage	80.4%	49.1%	60.8%	32.5%
General Provisioning Coverage	0.7%	2.9%	0.9%	0.4%
Net NPLs/Tier 1 Equity	1137.6%	30.3%	11.3%	61.0%

As of end-Dec'25, following the full implementation of IFRS 9, NRSPMFB's Stage-3 assets reported at PKR 6.0bn (CY24 NPLs: PKR 1.0bn), contributing to an increase in gross and net infection ratios to 13.9% (CY24: 2.7%) and 9.8% (CY24: 1.1%) respectively. As per management, recoveries of PKR 3.0bn are expected against the NPLs. Specific provisioning coverage reduced to 32.5% (CY24: 60.8%) while general provisioning coverage decreased to 0.4% (CY24: 0.9%) despite increase in the provisions held due to fresh provisions having been taken in the current year. An amount of PKR 2.32bn is yet to be charged off. To manage credit risk, lending is being extended mostly to existing clients with sound credit history especially for agriculture loans. Inclusion of new clients will be limited.

INVESTMENT MIX

The investment portfolio witnessed a significant decline to PKR 22.9bn (CY24: PKR 120.1bn) at end-CY25 since the MFB fully exited its PIB portfolio, with investments reducing to nil in CY25 from PKR 105.3bn in CY24. The revised portfolio now is dominated by Market Treasury Bills (MTBs) that formulate 86.1% (CY24: 9.3%) of the total investment portfolio, followed by Ijarah Sukuk at 13.9% (CY24: 3.0%). As the entire portfolio comprises government securities, the associated credit risk remains minimal.

LIQUIDITY & LEVERAGE PROFILE

Table 11: Liquidity Indicators (In PKR Millions)

LIQUIDITY	2022	2023*	2024	2025
Liquid Assets	8,624.6	13,395.4	129,941.6	33,699.8
Deposits	32,444.2	41,057.9	55,000.5	52,261.7
Borrowing	5,145.0	4,872.9	112,182.7	16,072.9
Subordinated Debt	1,442.4	2,237.6	2,391.9	2,487.4
Liquid Assets to Deposits and Borrowing(x)	22.7%	27.3%	41.1%	41.6%
Advances to Deposits	99.8%	87.5%	69.3%	82.3%

CA (%)	12.0%	21.4%	23.6%	25.4%
CASA (%)	44.5%	49.7%	52.3%	55.2%
Liquid Assets/ TA	19.5%	24.5%	73.3%	41.3%

Primarily funded by deposits, the Bank's deposit composition indicates a dominance of Fixed Deposits on a timeline, which account for 44.8% (CY24: 47.7%) of the total deposit base, followed by Saving Deposits at 29.8% (CY24: 28.7%) and Current Deposits formulating 25.4% (CY24: 23.6%) of the total deposit base. The depositor mix shifted during the year, with Individual deposits increasing to 55.14% (CY24: 44.9%), while deposits from Financial Institutions increased to 12% (CY24: 8.6%) and Corporate deposits reduced to 32.9% (CY24: 46.6%) respectively. Notwithstanding the composition changes, concentration risk remained noteworthy, with top-10 depositors comprising 25.9% (CY24: 24.0%) of deposits.

As of end-Dec'25, the MFB's liquid reserves remained sufficient with the Liquid Assets to Deposits and Borrowings (LADB) ratio at 41.6% (CY24: 41.1%). As the MFB's deposit base declined to PKR 52.3bn (CY24: PKR 55.0bn), the Advances to Deposits Ratio (ADR) rose to 82.3% (CY24: 69.3%), and is considered high, further pointing to the need to diversify and build funding sources.

Total borrowings declined to PKR 16.1bn (CY24: PKR 112.2bn), primarily due to the full repayment of the term finance facility obtained from National Bank of Pakistan (NBP) for capital support. The principal amount of the facility was settled during the year, resulting in a nil (CY24: PKR 100.0bn) outstanding balance at period-end. The facility was secured against Pakistan Investment Bonds (PIBs) and carried markup at 3-month KIBOR plus 0.7%. Moreover, borrowings include a running finance facility of PKR 5,000mn obtained from National Bank of Pakistan (NBP) under the Government's Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS), wherein NBP acts as the wholesale lender and the Bank functions as the executing agency. The facility was renewed on December 31, 2025, and is scheduled to expire on December 31, 2026. As at period-end, the facility remained fully utilized at PKR 4,999.99mn (2024: PKR 4,999.99mn). The facility is secured through a 50% Government guarantee, with the remaining exposure covered by pledge of T-Bills, PIBs, and Government securities.

CAPITALIZATION

Table 12: Capitalization Indicators (Amounts in PKR Millions)

Capitalization (Rs. in m)	2022	2023*	2024	2025
Share Capital	1,498.4	1,498.4	1,498.4	3,498.4
Advance against future issue of right shares	-	1,000.0	1,304.3	1,000.0
Statutory & General Reserves	815.8	997.9	1,243.0	1,512.3
Depositors' Protection Fund	305.4	393.2	533.5	656.4
Accumulated Profit	(2,530.6)	(1,845.8)	(1,050.5)	(40.4)
Equity	89.0	2,043.7	3,528.7	6,626.5
(Deficit)/Surplus on Revaluation of Assets	-	(0)	29	(3)
Deferred Grant	4	-	-	-
Total Equity	93	2,043	3,557	6,623
CAR	-7.1%	-6.0%	1.0%	16.59%

As of Dec'25, the MFB's equity base increased to PKR 6.6bn (CY24: PKR 3.6bn), primarily driven by enhancement of Share Capital to PKR 3.5bn (CY24: PKR 1.5bn); the same was an outcome of an equity injection of PKR 2.0bn by the parent organization which now holds 81.75% (CY24: 57.4%) stake in the MFB. Additionally, Eligible Capital strengthened to PKR 4.3bn (CY24: PKR 302.0mn) in line with increase observed in both Tier I and Tier II Capital to PKR 3.2bn (CY24: PKR 213.9mn) and PKR 1.08bn (CY24: PKR 89.1mn) respectively. The increase in Tier I Capital is attributable to profit retained, in addition to share capital increase. Consequently, Tier II Capital which is capped at 41.67% of CET-1, also increased and provided support to the Eligible Capital. On the other hand, the Risk Weighted Assets (RWA) decreased to PKR 25.6bn (CY24: PKR 32.2bn) in line with reduction in the Credit Risk element attributable to the shift towards secured lending as opposed to unsecured. As a result of these positive developments, the MFB reported a Capital Adequacy Ratio (CAR) of 16.59% (CY24: 1.0%) as of Dec'25, which is above the regulatory minimum requirement of 15.0%. The MFB is in compliance with the SBP's minimum paid-up capital requirement of PKR 1.0 bn (net of accumulated losses), as well as phased requirement of higher paid up capital at PKR 2.0bn by 2027. However, as highlighted in the auditor's report as an emphasis of matter, the MFB had an additional ECL balance of PKR 2,327.824mn arising from restructured loans, for which the MFB obtained SBP's approval to defer recognition over five quarters. Had the full additional ECL allowance been recognized upfront, the MFB's CAR would have lower at 9.38%, falling below the minimum regulatory requirement.

Over recent years, capital has been supplemented by two subordinated debt instruments. These include a Tier-II Term Finance Certificate (TFC) of PKR 770.0 mn, issued for a period of seven years, maturing on July 9, 2028. The principal amount of the TFC will be redeemed in four equal quarterly installments during the final year of the issue. The instrument carries markup at 3-month KIBOR plus 3% per annum, and includes a call option exercisable with prior SBP's written approval any time on or after completion of five years from the issue date. The issue also incorporates lock-in and loss absorbency clauses.

Additionally, subordinated debt includes a facility of PKR 672.4 mn (equivalent to EUR 6.0 mn) obtained from KfW, Germany, recognized as Tier-II subordinated debt for inclusion in the Bank's supplementary capital. The facility carries markup at KIBOR plus 3.5% per annum, with principal and accrued markup repayable as a bullet payment at maturity upon conversion into EUROS at the prevailing exchange rate. The maturity of this facility, previously June 30, 2023, has been extended till December 31, 2026. All associated foreign currency risks rest with KfW. Previously, the loan had its term extended to June 30, 2025, following the invocation of the lock-in clause, and now the term is further extended to December 31, 2026. However, this instrument is no longer eligible for capital inclusion, due to the expiry of its qualifying term. As per management, the MFB is delaying repayment as per SBP's guidelines but the management plans to repay it as soon as they get a go ahead from SBP.

FINANCIAL SUMMARY (amounts in PKR millions)				
BALANCE SHEET	31-Dec-22	31-Dec-23*	31-Dec-24	31-Dec-25*
Cash and Bank Balances with SBP and NBP	1,819.6	2,430.9	5,892.3	8,037.4
Balances with other Banks and/NBFIs/MFBs	4,369.2	5,358.6	3,938.3	2,800.7
Lending to Financial Institutions	0.0	1,022.4	3,101.1	0.0
Net Investments	2,435.8	5,605.8	120,111.0	22,861.7
Net Advances	28,027.8	34,330.5	37,170.3	40,927.4
Operating Fixed Assets	1,356.1	1,299.7	1,219.6	1,255.9
Other Assets	3,362.0	1,110.5	2,596.9	2,610.3
Total Assets	44,190.9	54,618.1	177,241.3	81,612.5
Total Deposits	32,444.2	41,057.9	55,000.5	52,261.7
Borrowings	5,145.0	4,872.9	112,182.7	16,072.9
Subordinated Debt	1,442.4	2,237.6	2,391.9	2,487.4
Other Liabilities	5,066.8	4,406.2	4,109.0	4,167.1
Total Liabilities	44,098.3	52,574.6	173,684.1	74,989.1
Tier-1 Equity	89.0	2,043.7	3,528.7	6,626.5
Net Worth	92.6	2,043.5	3,557.2	6,623.3
Paid Up Capital	1,498.4	1,498.4	1,498.4	3,498.4
INCOME STATEMENT	CY22	CY23*	CY24	CY25
Net Mark-up Income	214.4	4,056.3	4,185.8	6,404.9
Net Provisioning / (Reversal)	4,578.7	2,190.8	681.8	1,937.2
Non-Markup Income	1,518.2	549.4	298.1	218.2
Operating Expenses	3,363.6	3,400.6	3,295.6	3,808.3
Profit Before Tax	(6,222.2)	986.0	1,870.1	1,804
Profit after tax	(4,218.3)	910.8	1,225.3	1,345.8
RATIO ANALYSIS	CY22	CY23*	CY24	CY25
Market Share - Advances	9.0%	8.8%	8.2%	9.2%
Market Share - Deposits	6.3%	6.9%	7.5%	6.3%
Gross Infection (%)	16.0%	3.4%	2.7%	13.9%
Incremental Infection (%)	22.1%	2.8%	3.1%	14.5%
Specific Provisioning Coverage (%)	80.4%	49.1%	60.8%	32.5%
General Provisioning Coverage (%)	0.7%	2.9%	0.9%	0.4%
Net Infection (%)	3.6%	1.8%	1.1%	9.8%
Net NPLs to Tier-1 Capital (%)	1137.6%	30.3%	11.3%	61.0%
Capital Adequacy Ratio (CAR) (%)	-7.1%	-6.0%	1.0%	16.59%
Markup on earning assets (%)	11.0%	24.6%	23.4%	25.4%
Cost of Funds (%)	9.7%	13.2%	14.2%	13.2%
Markup Spreads (%)	1.2%	11.4%	9.3%	12.1%
OSS (%)	47.8%	110.6%	115.9%	112.8%
ROAA (%)	-8.8%	1.8%	1.1%	1.0%
ROAE (%)	-193.2%	46.6%	44.0%	26.5%
Advances to Deposit Ratio	99.8%	87.5%	69.3%	82.3%
Liquid Assets to deposits & borrowings (%)	22.7%	27.3%	41.1%	41.6%

Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	NRSP Microfinance Bank Limited				
Sector	Microfinance Bank (MFB)				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/ Watch	Rating Action
	RATING TYPE: ENTITY				
	05-May-2026	A-	A2	Stable	Reaffirmed
	05-May-2025	A-	A2	Stable	Reaffirmed
	06-May-2024	A-	A2	Rating Watch Developing	Upgrade
	27-Apr-2023	BBB+	A2	Negative	Downgrade
	29-Apr-2022	A-	A1	Rating Watch Developing	Downgrade
	29-Apr-2021	A	A1	Rating Watch Negative	Maintained
	30-Apr-2020	A	A1	Stable	Maintained
	14-May-2019	A	A1	Stable	Reaffirmed
	27-Apr-2018	A	A1	Stable	Reaffirmed
	30-Oct-2017	A	A1	Stable	Reaffirmed
	03-May-2017	A	A1	Stable	Reaffirmed
	28-Oct-2016	A	A1	Stable	Upgrade
	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.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meeting Conducted	Name	Designation		Date	
	Asif Mahmood	CFO		22 nd April, 2026	
	Muhammad Ali	Head RM			