VIS
Credit Rating Company Limited

RATING REPORT

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	A1	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	October 22, 2026		May 05, 2026	

Shareholding (5% or More)	Other Information
National Rural Support Program ~ 91.14%	**Incorporated in 2008**
PROPARCO ~ 5.30%	**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 ratings reflects the material strengthening in NRSP Microfinance Bank Limited ('NRSPMFB' or 'the MFB') overall risk profile, supported by improved capitalization, enhanced provisioning coverage, and a more resilient financial position. The Bank has strengthened its capital base through fresh equity injection, allowing it to fully absorb Expected Credit Losses, identified upon the adoption of IFRS 9. As a result, capital adequacy has improved materially to a level above the minimum requirement, without any support from forbearance allowed by SBP for initial adoption of IFRS 9. Capital adequacy is expected to strengthen further through the year-end, with improved profitability. While net infection remains materially higher than the levels observed prior to the implementation of IFRS 9, asset quality indicators do not imply material balance sheet risk, given the portfolio's now mostly secured nature, with stronger provisioning coverage contributing to a reduction in net infection and net NPLs relative to capital. Going forward, sustained capital strengthening and effective management of asset quality pressures will remain important considerations for the MFB's credit profile.

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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-Sept'26 including 37 (CY25: 37) Islamic branches.

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 91.14% (CY25: 81.75%) of the MFB following a recent injection of PKR 1.0bn into the MFB during CY26.

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 PROPARCO, 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

AUDITOR'S OPINION

Yousuf Adil Chartered Accountants, which is categorized as 'Category A' on the SBP's Panel of Auditors, has provided an unqualified opinion on the MFB's financial position as of Jun'26. The observations highlighted in the audit report for the year ended Dec'25 have now been

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resolved. The additional Expected Credit Loss (ECL) allowance of Rs. 1,862 million has been duly addressed in accordance with the applicable requirements, and the related implications for profitability and the Capital Adequacy Ratio (CAR) have been appropriately considered.

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.

PROFITABILITY

Table 2: Profitability Metrics

PROFITABILITY	2024	2025	1H2026
Return on Markup Bearing Assets	23.4%	25.4%	20.5%
Cost of Funds (Deposits)	14.2%	13.2%	7.1%
Spreads	9.3%	12.1%	13.4%
Operating Self Sufficiency (OSS)	116.0%	112.8%	105.1%
Profit After Tax	1,225.3	1,345.8	222.6

NRSPMFB's markup income increased to PKR 15.7bn (CY24: PKR 12.5bn), driven by higher returns on earning assets during CY25. Meanwhile, markup expense rose to PKR 9.3bn (CY24: PKR 8.3bn), primarily due to a notable increase in borrowings. These borrowings mainly comprise facilities obtained under government subsidy schemes, which helped moderate the overall cost of funding. Consequently, the net spread improved to 12.1% (CY24: 9.3%), contributing to an increase in net markup income to PKR 6.4bn (CY24: PKR 4.2bn) during CY25.

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.

During HY26 profit before tax remained modest at PKR 318.2mn, primarily due to elevated net provisioning of PKR 2.0bn. However, net mark-up income remained strong at PKR 4.1bn, while the decline in cost of funds to 7.1% supported an improvement in net spread to 13.4%. Management indicated that the MFB is maintaining a relatively favourable funding cost position versus peers. While the MFB continues to face structural challenges in mobilising low-cost deposits, it has been actively reducing high-cost deposits and is developing branchless-banking initiatives, including the recently launched NRSP EasyCash, to broaden its deposit base. Management currently expects full-year 2026 PBT of around PKR 1.8–2.0bn, assuming limited further provisioning.

Financial Risk

ASSET QUALITY

Table 3: Asset Quality Indicators (In PKR Millions)

Infection (Rs. in m)	2024	2025	1H2026
Net Advances	37,170.3	40,927.4	39,855.3

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NPLs/Stage 3 Assets	1,018.5	5,987.3	6,348.6
NPLs written off	1,347.3	797.4	304.5
Tier 1 Equity	3,528.7	6,626.5	6,820.7
Gross Infection	2.7%	13.9%	14.4%
Net Infection	1.1%	9.8%	6.0%
Incremental Infection	3.1%	14.5%	1.6%
Specific Provisioning Coverage	60.8%	32.5%	61.9%
General Provisioning Coverage	0.9%	0.4%	0.5%
Net NPLs/Tier 1 Equity	11.3%	61.0%	35.5%

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 increse 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.

Asset quality worsened during HY26, with gross infection increasing to 14.4%. Nevertheless, incremental infection moderated considerably to 1.6%. Management further highlighted that the MFB has gradually shifted its lending mix toward secured financing, with only around PKR 4–5bn of the portfolio remaining unsecured. This shift is expected to help contain future credit losses and provisioning requirements. Provisioning coverage also strengthened considerably, with specific provisioning coverage increasing to 61.9% as of Jun'26. This improvement contributed to a reduction in net infection to 6.0%, while net NPLs to Tier-1 capital declined to 35.5%. Management expects provisioning pressure to ease going forward, with additional provisions potentially limited to around PKR 100mn through Dec'26, subject to recoveries and reversals of certain provisions during the current quarter. The anticipated moderation in provisioning requirements is further supported by the gradual transition toward a more secured lending portfolio.

LIQUIDITY & CAPITALIZATION

As of Jun'26, the MFB's financial position reflected a significant strengthening in capitalization, although profitability was dampened by elevated provisioning charges. Paid-up capital increased to PKR 4.5bn as of Jun'26, supported by a fresh capital injection. Consequently, Tier-1 equity improved to PKR 6.8bn, providing a stronger capital base to absorb potential credit losses. Capital adequacy also improved materially, with the Capital Adequacy Ratio (CAR) rising to 17.2% at Jun'26 from 16.3% at Dec'25. Management expects the capital position to strengthen further, with CAR projected to remain above 18% in Sep'26 and potentially approach 19% by Dec'26, supported by the strengthened equity base and expected earnings. In addition, the MFB is seeking regulatory approval to retire its costly subordinated debt obtained from KfW-Germany, which management believes could further improve CAR, given the existing capital cushion.

As of Jun'26, the MFB reported a Liquidity Coverage Ratio (LCR) of 157.20% and a Net Stable Funding Ratio (NSFR) of 122.00%. Funding remains supported by a diversified shareholder base, with NRSP holding more than 91% of the shares, alongside Proparco and Acumen, although the latter two investors' shareholdings have been substantially diluted. NRSP is also exploring opportunities to bring in new investors, with preliminary discussions and due diligence underway with several prospective parties.

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FINANCIAL SUMMARY *(amounts in PKR millions)*				
BALANCE SHEET	**31-Dec-23**	**31-Dec-24**	**31-Dec-25**	**30-Jun-26**
Cash and Bank Balances with SBP and NBP	2,430.9	5,892.3	8,037.4	5,447.8
Balances with other Banks and/NBFIs/MFBs	5,358.6	3,938.3	2,800.7	9,225.6
Lending to Financial Institutions	1,022.4	3,101.1	0.0	0.0
Net Investments	5,605.8	120,111.0	22,861.7	19,527.1
Net Advances	34,330.5	37,170.3	40,927.4	39,855.3
Operating Fixed Assets	1,299.7	1,219.6	1,255.9	1,219.4
Other Assets	1,110.5	2,596.9	2,610.3	5,729.5
Total Assets	**54,618.1**	**177,241.3**	**81,612.5**	**81,882.8**
Total Deposits	41,057.9	55,000.5	52,261.7	54,566.6
Borrowings	4,872.9	112,182.7	16,072.9	13,756.6
Subordinated Debt	2,237.6	2,391.9	2,487.4	2,535.1
Other Liabilities	4,406.2	4,109.0	4,167.1	4,233.7
Total Liabilities	**52,574.6**	**173,684.1**	**74,989.1**	**75,092.0**
Paid Up Capital	1,498.4	1,498.4	3,498.4	4,498.4
Tier-1 Equity	2,043.7	3,528.7	6,626.5	6,820.7
Net Worth	2,043.5	3,557.2	6,623.3	6,790.8
INCOME STATEMENT	**CY23***	**CY24**	**CY25**	**HY26**
Net Mark-up Income	4,056.3	4,185.8	6,404.9	4,093.0
Net Provisioning / (Reversal)	2,190.8	681.8	1,937.2	2,039.1
Non-Markup Income	549.4	298.1	218.2	90.3
Operating Expenses	3,400.6	3,295.6	3,808.3	1,949.6
Profit Before Tax	986.0	1,870.1	1,804	38.1
Profit after tax	910.8	1,225.3	1,345.8	222.6
RATIO ANALYSIS	**CY23***	**CY24**	**CY25**	**HY26**
Market Share - Advances	8.8%	8.2%	9.2%	7.3%
Market Share - Deposits	6.9%	7.5%	6.3%	5.8%
Gross Infection (%)	3.4%	2.7%	13.9%	14.4%
Incremental Infection (%)	2.8%	3.1%	14.5%	1.6%
Specific Provisioning Coverage (%)	49.1%	60.8%	32.5%	61.9%
General Provisioning Coverage (%)	2.9%	0.9%	0.4%	0.5%
Net Infection (%)	1.8%	1.1%	9.8%	6.0%
Net NPLs to Tier-1 Capital (%)	30.3%	11.3%	61.0%	35.5%
Capital Adequacy Ratio (CAR) (%)	-6.0%	1.0%	16.59%	17.2%
Markup on earning assets (%)	24.6%	23.4%	25.4%	20.5%
Cost of Funds (%)	13.2%	14.2%	13.2%	7.1%
Markup Spreads (%)	11.4%	9.3%	12.1%	13.4%
OSS (%)	110.6%	115.9%	112.8%	105.1%
ROAA (%)	1.8%	1.1%	1.0%	0.3%
ROAE (%)	46.6%	44.0%	26.5%	3.3%
Advances to Deposit Ratio	87.5%	69.3%	82.3%	80.6%
Liquid Assets to deposits & borrowings (%)	27.3%	41.1%	41.6%	41.5%

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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				
22-Oct-2026	A	A1	Stable	Upgrade
05-May-2026	A-	A2	Stable	Reaffirmed
05-May-2025	A-	A2	Stable	Reaffirmed
06-May-2024	A-	A2	Stable	Upgrade
27-Apr-2023	BBB+	A2	Rating Watch Developing	Downgrade
29-Apr-2022	A-	A1	Negative	Downgrade
29-Apr-2021	A	A1	Rating Watch Developing	Maintained
29-Apr-2020	A	A1	Rating Watch Negative	Maintained
30-April-2019	A	A1	Stable	Reaffirmed
27-Apr-2018	A	A1	Stable	Reaffirmed
30-Oct-2017	A	A1	Stable	Reaffirmed
28-April-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
Mr. Muhammad Naeem	Chief Financial Officer	29 September, 2026
Mr. Abdul Mateen	Senior Manager Finance	

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