

## SINDH 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	A1
RATING OUTLOOK/ WATCH	Positive		Stable	
RATING ACTION	Maintained		Reaffirmed	
RATING DATE	June 30 <sup>th</sup> , 2026		April 30 <sup>th</sup> , 2025	

### Shareholding (5% or More)

Sindh Bank Limited – 99.99%

### Other Information

Incorporated in 2015

Public Unlisted Company

**Chairman:** Syed Assad Ali Shah

**President & CEO:** Shoaib Arif

**External Auditor:** Riaz Ahmad & Company Chartered Accountants

### Applicable Rating Methodology

VIS Entity Rating Criteria: Microfinance

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

### Rating Scale

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

### Rating Rationale

Sindh Microfinance Bank Limited ('SMFB' or the 'MFB') continued to demonstrate steady operational growth during the review period, while benefiting from the strategic guidance and governance oversight provided by the nominee directors of its holding company and majority shareholder, Sindh Bank Limited. The holding company has also indicated its willingness to provide capital support, if required.

During the review period, the MFB's loan portfolio expanded, primarily driven by general-purpose lending, which remained the dominant component of advances. The portfolio continues to be largely group-based, particularly through its flagship women-focused lending product (sujag aurat), while maintaining outreach to low-income and underserved segments. The number of active borrowers increased in line with the MFB's expanding operations.

The MFB is currently undertaking ongoing expansion activities following the receipt of a nationwide microfinance banking license, enabling it to operate nationwide. Currently, branches are under construction in Punjab, including locations such as Bahawalpur, Rahim Yar Khan, and Multan, along with the development of service centers. In addition, expansion activities are underway in Balochistan, with service centers being established at Usta Muhammad, Dera Allah Yar, and Hub, reflecting the MFB's plans to broaden its operational footprint.

Asset quality indicators remained strong, supported by disciplined underwriting practices and adequate provisioning coverage. The largely unsecured nature of the portfolio remains consistent with the MFB's lending model, with group-based lending continuing to form the bulk of disbursements. Liquidity indicators showed weakening at end-CY25 due to a decline in deposits, particularly fixed deposits, while the deposit base remained concentrated. Profitability improved during the review period, supported by growth in markup income and a reduction in the cost of funds, despite an increase in operating expenses associated with workforce expansion. The MFB maintained compliance with applicable regulatory capital requirements, supported by internal capital generation. Going forward, the ratings remain sensitive to the effective execution of the ongoing expansion strategy, maintenance of asset quality, and diversification of the funding base.

## Company Profile

Sindh Microfinance Bank Limited (SMFB or 'the MFB') was incorporated on March 27, 2015, as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 (now replaced by the Companies Act, 2017). The Bank obtained its microfinance banking license from the State Bank of Pakistan (SBP) on October 16, 2015, allowing it to operate within the Sindh Province. Subsequently, it received a certificate of commencement of business from the Securities & Exchange Commission of Pakistan (SECP) on November 30, 2015, and a certificate of commencement of banking business from the SBP on April 15, 2016. SMFB is a wholly owned subsidiary of Sindh Bank Limited. Its primary objective is to provide microfinance services to poor and underserved segments of society, as outlined in the Microfinance Institutions Ordinance, 2001.

The Bank operates through a network of branches and service centers across Sindh Province, comprising 113 locations (CY24: 109). SBP has granted SMFB a nationwide microfinance banking license, allowing the institution to expand services across the country and enhance financial access for underserved communities. The license came into effect on February 10, 2026. The MFB is compliant with SBP's minimum capital requirement of PKR 1.0 bn.

### AUDITOR'S OPINION

Riaz Ahmad & Company 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.

## Group Profile

Sindh Bank Limited (SNDB or "the Bank") was established in 2010 and its primary shareholder is Government of Sindh. The bank operates via a network of 330 branches spread across 169 locations in Pakistan. As of Dec'25, SNDB's total assets stood at PKR 360.0 bn (Dec'23: PKR 300.5 bn), indicating growth in financial position. The Bank's gross advances portfolio increased by 27%, reaching PKR 98.6 bn (Dec'23: PKR 77.5 bn), reflecting an expansion in its lending activities. SNDB's total deposits crossed the PKR 250.0 bn milestone, amounting to PKR 312.7 bn (Dec'23: PKR 223.6 bn). Additionally, SNDB holds a long-term entity rating of AA- and a short-term rating of A1+. The Bank's deputy CEO serves as the chairman of board in SMFB. Moreover, the parent is committed to providing equity to the MFB if required.

## Management and Governance

### CHAIRMAN/CEO PROFILE

**Profile of Chairman:** Syed Assad Ali Shah holds a master's degree in economics and has over 24 years of experience in retail, commercial, and branch banking. He currently serves as Deputy CEO of Sindh Bank. Mr. Shah joined Sindh Bank at its inception in December 2010 as Senior Vice President and Regional Head (Sindh) and has since progressed through various leadership roles, including Executive Vice President in 2014, Senior Executive Vice President in 2020, and Group Head for Sindh and Baluchistan. Prior to joining Sindh Bank, he began his banking career at PICIC in 2000 and subsequently served at PICIC Commercial Bank (2001-2006) and Mybank Ltd. (2006-2010). At Sindh Bank, he has also acted as the focal person for the Government of Sindh, facilitating institutional coordination and partnerships, and currently serves on the Board of Sindh Energy Holding Company (Pvt.) Ltd.

**Profile of CEO:** Mr. Shoab Arif holds a master's degree in economics and has over two decades of experience in the microfinance sector. He currently serves as President/CEO and is regarded as an experienced microfinance practitioner. His prior experience includes serving as Chief Operating Officer at ASA Pakistan Limited, one of the largest microfinance institutions in Pakistan, and as Chief Executive Officer at ASA Kabul, Afghanistan. He has also served as Chief Operating Officer at Network Microfinance Bank for approximately five years, contributing to operational management and sector development initiatives.

### BOARD OF DIRECTORS

The Board of Directors (BoD) at SMFB comprises eight members, including the Chairman and CEO. There are four independent directors, three non-executive directors and the president. There were no changes in BoD in the review period.

**Table 1: Board of Directors**

**BOARD OF DIRECTORS**

Syed Assad Ali Shah	Non-Executive Director
Dilshad Hussain	Non-Executive Director
Sikandar Abbasi	Independent Director
Ghulam Mustafa Suhag	Independent Director
Riaz Ahmed	Non-Executive Director
Sahibzadi Mahin Khan	Independent Director
Naqi Raza	Independent Director
Shoaib Arif	CEO/ President

During the review period, certain management-level changes were observed. These included the reassignment of the Chief Financial Officer (CFO) to the role of Chief Strategy Officer (CSO). In addition, the risk and compliance functions were segregated, with separate teams designated to oversee each function, reflecting further delineation of oversight responsibilities.

**IT UPGRADES AND CYBER SECURITY DEVELOPMENTS**

The MFB maintains a dedicated IT function headed by a Chief Information Officer (CIO) with extensive experience in the banking industry and professional certifications in information security and IT governance. During CY25, the MFB implemented an IT security framework in line with applicable regulatory guidelines and deployed end-point security solutions across user systems to mitigate IT-related risks. In addition, the MFB strengthened its IT function through the hiring of skilled personnel and initiated digital customer onboarding capabilities to support operational efficiency.

During the review period, SMFB submitted its compliance status report against the Cyber Hygiene Action Plan mandated by the State Bank of Pakistan (SBP). Out of the prescribed action points, no items were reported as non-compliant. The MFB reported 75% compliance, with the remaining 25% categorized as partially compliant, indicating ongoing progress toward full adherence to regulatory cyber security requirements.

**Business Risk**

**INDUSTRY UPDATE**

The microfinance industry experienced a contraction in 2025, with total assets declining by 3.6% to PKR 1.03trn, primarily reflected in a 35.2% reduction in investments in government securities. Credit growth was moderate 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 surging from 95.3% in Dec'24 to 138.1% in Dec'25. Consequently, provisioning charges for the year rose 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. As 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**

PRODUCTIVITY INDICATORS	2022	2023	2024	2025
Branches + Service Centers	90	91	109	113
No. of Loan Officers (LOs)	174	225	296	341
No. of Active borrowers	66,133	74,180	83,316	91,005
Average loan size (PKR)	19,976	25,982	26,878	29,918
Active Borrowers/ LO	380	330	281	267
Active Borrowers/ Branch	735	815	764	805
LO/ Branch	2	2	3	3

Number of Loan Officers (LOs) increased to 341 (CY24: 296) as at-Dec'25. This increase will support the operational expansion country-wide given the MFB has a license to do so. Moreover, an industry-wide challenge of high attrition among LOs is observed on a timeline, to combat this, a structured internal progression framework has been introduced to facilitate career advancement, whereby Relationship Officers may be promoted to Service Centre Supervisors, and Service Centre Supervisors may advance to Branch Manager roles, supporting continuity within the operational workforce. This internal mobility framework is intended to support workforce stability amid ongoing branch expansion. In addition, the MFB has undertaken revisions to its compensation structure to align salary packages with prevailing market benchmarks, with the objective of reducing staff turnover and supporting employee retention. The MFB has also enhanced its training and development programs, focusing on strengthening technical competencies, addressing identified performance gaps, and supporting operational readiness for new product lines, including those related to Islamic finance.

Number of active borrowers rose to 91,005 (CY24: 83,316) in sync with the MFB's expanding operations and with a sizable growth in advances the average loan size rose to PKR 29,918 (CY24: PKR 26,878) as at-Dec'25. Higher average loan is also attributable to inflationary pressures that increase the borrowing requirement of the customers.

Going forward, the MFB plans to expand its operations on a Pan-Pakistan basis following the receipt of the required license. At present, three branches are under construction in Punjab, including Bahawalpur, Rahim Yar Khan, and Multan, along with the development of 10 service centers. In addition, expansion activities are underway in Balochistan, with service centers being established at Usta Muhammad, Dera Allah Yar, and Hub.

## LOAN PORTFOLIO

### MICROCREDIT PORTFOLIO & RISK SEGREGATIONS

SMFB offers a diverse range of loan products tailored to meet the specific needs of its clientele. The MFB is expanding its lending operations, and it is reflected in the Gross Loan Portfolio, which grew by 21.6%, reaching PKR 2.8bn (CY24: PKR 2.3bn) at end-CY25. Each product has distinct features, providing financial support and facilitating economic uplift in underserved segments. The products include:

**Table 2: Product and their Attributes**

PRODUCT	FINANCING LIMIT (IN PKR)	TENOR (MONTHS)	INSTALLMENTS	LENDING TYPE
Sujag Aural Loan	17,500 to 150,000	12	EMI	Group Loan (5-20 women)
Livestock Loans	17,500 to 150,000	12-18	EMI	Group Loan (5-20 members)
Fisheries Loan	17,500 to 150,000	3-12	EMI	Group Loan (5-20 members)
Agriculture Loans	17,500 to 150,000	12-18	EMI/ Bullet	Group Loan (5-20 members)
Gold Loan	25,000 to 350,000	12	Bullet / Installments	Individual Loan (against gold collateral)
Karobar Loan	42,500 to 150,000	3-18	EMI	Small trade/service organizations, partnerships, sole proprietorships

Going forward, the MFB plans to strengthen its product portfolio with increased focus on agriculture-related financing through both conventional and Islamic offerings. On the conventional side, the planned product suite includes crop production loans for input financing, farm mechanization facilities, financing for solar-powered tube wells, and livestock and dairy loans. Repayment structures for crop-related financing are intended to remain aligned with harvesting cycles. On the Islamic side, subject to SBP's approval, the MFB plans to launch Murabaha and Ijarah-based products, with particular focus on agri-financing.

On the liability side, the MFB also intends to introduce Shariah-compliant savings products structured under Mudarabah and Qard models. The planned product expansion reflects management's intention to diversify the MFB's lending and deposit base while catering to both conventional and Shariah-conscious customer segments.

**Table 3: Product-Wise Portfolio**

PRODUCT MIX	CY23	%	CY24	%	CY25	%
Livestock	263.0	13.6%	372.3	15.9%	211.2	7.4%
Agriculture	23.0	1.2%	46.0	2.0%	22.6	0.8%
Enterprise	0.0	0.0%	-	0.0%	-	0.0%
Housing	28.0	1.5%	14.0	0.6%	4.5	0.2%
General Purpose	1613.0	83.7%	1,902.1	81.5%	2,601.0	91.6%
Gross Loan Portfolio	1927.0	100.0%	2,334.4	100.0%	2,839.3	100.0%

During CY25, the growth in the loan portfolio was predominantly driven by an increase in General-Purpose loans, which accounted for 91.6% of total advances (CY24: 81.5%). The General-Purpose segment, primarily comprising of Sujag Aurat loans—SMFB's flagship offering aimed at promoting women-led entrepreneurship—remained the cornerstone of the portfolio. Livestock financing had a lower share of 7.4% (CY24: 15.9%).

SMFB's approach toward financial inclusion and rural development is evident in its continued focus on addressing the credit needs of women and smallholder farmers through customized financial solutions. Other segments, such as housing and agriculture, represent a minor portion of the portfolio. However, the continued expansion of core products highlights the Bank's strategic focus on its niche, while maintaining sound portfolio quality.

**Table 4: Portfolio Attributes (Amounts in PKR Millions)**

PORTFOLIO SEGREGATION	CY23	%	CY24	%	CY25	%
Conventional Loans	1,927.0	100.0%	2,334.4	100%	2,839.3	100%
Shariah Loans	-	0.0%	0	0%	0	0%
Secured vs Unsecured						
Secured Loans	35.0	1.8%	17.9	0.8%	7.1	0.2%
Unsecured Loans	1,892.0	98.2%	2,316.5	99.2%	2,832.2	99.8%
EMI vs Bullet						
EMI	1,921.0	99.7%	2,330.5	99.8%	2,836.7	99.9%
Bullet	7.0	0.4%	3.9	0.2%	2.6	0.1%
Group Vs Individual						
Group Based	1,892.0	98.2%	2,316.5	99.2%	2,832.2	99.8%
Individual	35.0	1.8%	17.9	0.8%	7.1	0.2%

Currently, SMFB's entire advances portfolio comprise Conventional Loans. However, the MFB aims to achieve full Shariah Compliance in line with SBP's vision 2028. Furthermore, to serve the low-income segments, unsecured loans formulate the major chunk of loan portfolio however, unsecured lending increases the credit risk. With the exception of gold-backed lending products, the MFB's entire credit offering is structured around monthly installment repayment plans, resulting in a consistently high share of EMI-based loans. This structure supports regular cash flow cycles and promotes repayment discipline among borrowers. Consistent with the MFB's operational policy, group lending continues to

comprise the bulk of disbursements and has exhibited a steady upward trend. This approach not only enhances credit outreach but also serves as a mechanism to mitigate moral hazard and reduce delinquency risk through peer accountability.

SIZE-WISE LOAN BREAK-UP	CY23	Clients	CY24	Clients	CY25	Clients
Up to Rs. 25,000	544	37,724	578	39,267	552	37,014
Rs. 25,001 - Rs. 50,000	1,121	32,543	1,276	36,035	1,445	40,092
Rs. 50,001-Rs. 100,000	228	3,879	459	7,960	826	13,791
Rs. 100,001 and 250,000	4	24	6	46	11	102
Rs. 250,001 and 500,000	2	7	1	5	1	3
Rs. 500,001 and above	28	3	14	3	-	-
<b>TOTAL</b>	<b>1,927</b>	<b>74,180</b>	<b>2,334</b>	<b>83,316</b>	<b>2,835</b>	<b>91,002</b>

During CY25, the largest share of the portfolio fall within the PKR 25,000–PKR 50,000 bracket similar to previous years. This remains consistent with the institution’s strategic focus on lower-ticket lending. SMFB’s lending strategy follows a graduated approach, whereby initial loan cycles offer smaller amounts to assess the borrower’s repayment behavior. Customers demonstrating strong repayment performance are subsequently eligible for higher loan brackets. This model is reflected in the consistently low exposure to higher-value loans.

### PROFITABILITY

PROFITABILITY	CY22	CY23	CY24	CY25
Return on Markup Bearing Assets	25.8%	38.8%	38.0%	39.6%
Cost of Funds (Deposits)	12.3%	21.4%	19.2%	13.7%
Spreads	13.5%	17.5%	18.8%	26.0%
Operating Self Sufficiency (OSS)	113.9%	116.0%	121.8%	147.8%
Profit after taxation	41.4	91.5	153.7	329.4

SMFB’s total markup income rose to PKR 1.7bn (CY24: PKR 1.4bn) during CY25, driven by a volumetric increase in performing loans and improved yields on these assets. Additionally, markup income derived from investments also rose in line with an overall expansion of the investment portfolio. With the increase in income, the average return on markup bearing assets rose to 39.6% (CY24: 38.0%). On the other hand, markup expense reduced due to a decline fixed deposits and borrowings which led to lower average cost of fund at 13.7% (CY24: 19.2%). Consequently, the MFB’s net markup income improved, reaching PKR 1.3bn (CY24: PKR 887.8mn), accompanied by a widening of net spreads, which increased to 26.0% (CY24: 18.8%) for the year CY25.

With expansion of workforce, operating expenses also increased due to higher compensation costs associated. However, despite an increase in expenses, the MFB’s Operational Self-Sufficiency (OSS) ratio improved to 147.8% (CY24: 121.8%) which was supported by revenue growth and lower provisions which outstripped the increase in operating expenses. SMFB’s net profit increased to PKR 329.4mn (CY24: PKR 153.7mn).

Total markup income increased to PKR 463.7mn (1QCY25: PKR 407.9mn) for the quarter ending March’26 whereas, markup expenses declined to PKR 80.1mn (1QCY25: PKR 119.8mn) thus translating into a higher net markup income of PKR 383.6mn (1QCY25: PKR 288.0mn). moreover, operating expenses rose to PKR 195.5mn (1QCY25: PKR 153.2mn) due to higher costs associated with geographic expansion via branch opening. However the MFB reported a profit of PKR 102.9mn (1QCY25: PKR 62.8mn) for 1QCY26. The expansion of operations following the receipt national-level license in 2026 will allow SMFB to deepen its outreach, particularly in lower Punjab and other underserved regions. While this geographic expansion will likely result in higher operating expenses due to infrastructure and staffing needs in future, it is also expected to support revenue growth through increased lending volumes

### Financial Risk

#### ASSET QUALITY

**Table 5: Asset Quality Indicators (In PKR Millions)**

ASSET QUALITY (In PKR Millions)	2021	2022	2023	2024	2025
Gross Advances	957.8	1,321.1	1,927.4	2,239.4	2,722.7
Specific Provisioning	4.1	5.4	2.6		
General Provisioning	9.2	12.8	18.9		
Stage 1				123.3	198.4
Stage 2				2.9	3.6
Stage 3				16.0	9.4
Net Advances	944.5	1,302.9	1,905.9	2,097.1	2,511.3
NPLs	10.6	36.5	5.9	16.2	9.5
NPLs written off	6.0	6.7	122.1	22.1	33.2
Tier 1 Equity	969.3	1,012.4	1,106.0	1,254.6	1,580.1
Gross Infection	1.1%	2.8%	0.3%	0.7%	0.3%
Net Infection	0.7%	2.4%	0.3%	0.01%	0.00%
Incremental Infection	1.5%	2.9%	5.3%	1.6%	1.1%
Specific Provisioning Coverage	39.1%	14.7%	43.4%	98.97%	99.28%
Provisioning Coverage	126.0%	49.8%	363.0%	880.25%	2227.05%
Net NPLs/Tier 1 Equity	0.7%	3.1%	0.5%	0.01%	0.00%

As of end-Dec'25, the SMFB's Non-Performing Loans (NPLs) decreased to PKR 9.5mn (CY24: PKR 16.2mn), resulting in a decrease in the gross infection ratio to 0.3% (CY24: 0.7%). Furthermore, decline in NPLs led to a reduction in incremental infection to 1.1% (CY24: 1.6%) reflecting a slowdown in new delinquencies. The decline in NPLs offset the impact of higher loan write-offs in CY25. Specific provisioning coverage improved marginally to 99.3% (CY24: 90.0%), strengthening the MFB's overall loss-absorption capacity. Given that the vast majority of the non-performing portfolio is now fully provided for, both the net infection ratio and net NPLs to Tier 1 equity remained at 0.0% (CY24: 0.0%), indicating a sound provisioning position.

## INVESTMENT MIX

As of end-CY25, the MFB's investment portfolio declined marginally to PKR 1.07bn (CY24: PKR 1.13bn). the portfolio remains concentrated in Term Deposit Receipts (TDRs), however their proportion in the investment mix declined and they formulate 73.3% (CY24: 79.4%) of the investment portfolio. Their carrying interest rates were in the range of 12.0% to 21.0%, and had a maturity period of twelve months. The concentration in TDRs exposes the investment book to relatively higher credit risk due to non-sovereign counterparty exposure. The remainder of the portfolio is allocated to government securities, primarily Treasury Bills (T-Bills), which entails minimal credit risk. Given that both TDRs and T-Bills are short-tenor instruments with maturity profiles of less than one year, the overall market risk exposure remains limited. Investment portfolio increased moderately to PKR 1.12bn.

## LIQUIDITY & LEVERAGE PROFILE

**Table 6: Liquidity Indicators (In PKR Millions)**

Liquidity (Rs. in m)	2022	2023	2024	2025
Liquid Assets	496	802	1,250	1,257
Deposits	600.3	1,323.3	1,991.2	1,553.9
Borrowings	310	721	874	1,266
Sub-Ordinated Debt	-	-	-	-
Liquid Assets to Deposits and Borrowings	54.5%	39.2%	43.6%	44.6%
Advances to Deposits	220.1%	145.7%	112.5%	175.2%
CA (%)	0.0%	0.0%	0.2%	0.7%

CASA (%)	48.3%	26.4%	14.3%	20.5%
Liquid Assets/ TA	24.7%	23.5%	27.6%	26.0%

Liquidity profile remained sound as evidenced by a marginal improvement Liquid Assets to Deposits and Borrowings (LADB) ratio, which reached 44.6% (CY24: 43.6%). SMFB's deposit base declined by 22.0% to PKR 1.6bn (CY24: PKR 2.0bn), reversing trend to reach PKR1.7bn at end March-26. Coupled with growth in advances Advances to Deposit (ADR) ratio increased to 175.2% (CY24: 112.5%) at end-Dec'25. The decline in deposits was primarily attributable to a reduction in fixed deposits, which decreased to PKR 1.2bn (CY24: PKR 1.7bn). Consequently, the share of fixed deposits in total deposits also declined to 79.5% (CY24: 85.7%); nevertheless, they continue to constitute a significant portion of the deposit base. Fixed deposits remain relatively more rate-sensitive in nature. Meanwhile, the share of current deposits remained negligible at 0.7% (CY24: 0.2%), indicating limited access to low-cost funding. Deposit concentration risk also remains elevated, with the top 10 depositors accounting for 90.28% (CY24: 91.8%) of the deposit base, underscoring vulnerability to large withdrawals and the need for diversification of the funding base.

**Table 7: Deposits Breakdown (All Amounts in PKR Millions)**

DEPOSITS	CY22	CY23	CY24	CY25
Fixed deposits	310.6	973.8	1,706.6	1,235.3
Saving deposits	289.6	349.2	281.5	308.4
Current deposits	0.1	0.3	3.0	10.2
Total Deposits	600.3	1,323.3	1,991.2	1,553.9
FD/TD	51.7%	73.6%	85.7%	79.5%
SD/TD	48.2%	26.4%	14.1%	19.8%
CD/TD	0.0%	0.0%	0.2%	0.7%

On the borrowing front, additional funds amounting to PKR 422mn were sanctioned and received in several tranches under the SBP's Line of Credit, resulting in an increase in borrowings from SBP to PKR 917.0mn (CY24: PKR 495.0mn). Moreover, another loan of PKR 200mn was obtained from PMIC carrying a markup o 6M KIBOR+2.5%. The MFB obtained a running finance facility of PKR 500mn from parent organization, Sindh Bank. However, no amount was withdrawn against this facility during CY25. As per the asset-liability maturity profile as of Dec'25, the Bank exhibited no material cumulative funding gaps, suggesting a well-aligned maturity structure and a balanced liquidity position. Nevertheless, increasing reliance on borrowings indicates the need to further strengthen deposit access.

## CAPITALIZATION

**Table 8: Capitalization Indicators (Amounts in PKR Millions)**

CAPITALIZATION	CY22	CY23	CY24	CY25
Share Capital	750.0	1,000.0	1,000.0	1,000.0
Statutory & General Reserves	52.3	70.6	101.4	167.2
Depositors' Protection Fund	13.1	20.3	32.0	49.7
Unappropriated Profit	197.0	15.1	121.3	363.1
Total Equity	1,012.4	1,106.0	1,254.6	1,580.1
Total Eligible Tier I Capital		1072.2	1,166.0	1,448.5
Eligible Tier II Capital		39.3	66.8	92.7
Total Eligible Capital		1,111.5	1,232.8	1,541.3
Capital Adequacy Ratio	63.4%	47.5%	44.3%	44.7%

As of Dec'25, the MFB's total eligible capital increased to PKR 1.5bn (CY24: PKR 1.2bn ) wherein Tier I and Tier II Capital increased to PKR 1.5bn (CY24: PKR 1.2bn) and PKR 92.7mn (CY24: PKR 66.8mn) respectively. This increase was primarily supported by internal capital generation through net profitability. Risk-Weighted Assets (RWAs) remained mostly stagnant at PKR 2.4bn (CY24: PKR 2.4bn). Resultantly,

Capital Adequacy Ratio (CAR), increased marginally to 44.7% (CY24: 44.3%) and remains well above the minimum regulatory requirement of 15.0% applicable to microfinance banks reflecting a high capital buffer for the medium term. SMFB is also compliant with the SBP's minimum paid-up capital threshold of PKR 1.0 bn (net of accumulated losses) required for national-level microfinance operations. SMFB's current capital position provides a sound base for future growth and supports regulatory readiness as it scales its operational footprint.

As per management, SMFB is required to achieve the minimum paid-up capital requirement of PKR 1.5bn, in line with the evolving regulatory framework. To ensure compliance, the parent bank has indicated its willingness to provide capital support through the proposed injection of PKR 300mn, subject to the parent bank maintaining its own CAR requirements. Alternatively, in the absence of immediate capital injection, retained profits over the next one to two years may be capitalized through the issuance of bonus shares, thereby supporting the buildup of the required capital base. Furthermore, the MFB plans to increase the paid up capital to PKR 1.5bn by end-June'26 and further to PKR 2.0bn at end-CY26.

FINANCIAL SUMMARY				
BALANCE SHEET	CY22	CY23	CY24	CY25
Cash and Balances with SBP and NBP	35.3	80.4	112.0	71.7
Balances With Other Banks/NBFIs/MFBs	406.2	577.4	904.5	899.2
Investment - Net of Provisions	54.8	644.4	1,133.0	1,070.6
Advances Net of Provisions	1,302.9	1,903.8	2,097.1	2,511.3
Other Assets	208.5	208.7	284.3	279.3
Total Assets	2,007.7	3,414.7	4,531.0	4,832.1
Deposits and other accounts	600.3	1,323.3	1,991.2	1,553.9
Borrowings	310.0	721.0	873.8	1,266.0
Other Liabilities	85.0	264.4	411.4	432.1
Total Liabilities	995.3	2,308.7	3,276.3	3,252.0
Share Capital	750.0	1,000.0	1,000.0	1,000.0
Total Capital	1,012.4	1,106.0	1,254.6	1,580.1
INCOME STATEMENT	CY22	CY23	CY24	CY25
Net mark-up / interest income	345.2	619.9	887.8	1,301.8
Provision against non-performing loans and advances	11.5	125.4	133.6	100.4
Administrative expenses	274.1	359.5	507.6	649.1
Profit before taxation	57.2	130.8	245.5	552.3
Profit after taxation	41.4	91.5	153.7	329.4
RATIO ANALYSIS	CY22	CY23	CY24	CY25
Market Share - Advances	0.37%	0.47%	0.50%	0.54%
Market Share - Deposits	0.12%	0.22%	0.29%	0.19%
Gross Infection	2.8%	0.3%	0.7%	0.3%
Net Infection	2.4%	0.3%	0.0%	0.0%
Incremental Infection	2.9%	5.3%	1.6%	1.1%
Specific Provisioning Coverage	14.7%	43.4%	99.0%	99.3%
General Provisioning Coverage	1.0%	1.0%	5.7%	7.4%
Net NPLs/Tier 1 Equity	3.1%	0.5%	0.0%	0.0%
Capital Adequacy Ratio	63.4%	47.5%	44.3%	44.7%
Return on Markup Bearing Assets	25.8%	38.8%	38.0%	39.6%
Cost of Funds (Deposits)	12.3%	21.4%	19.2%	13.7%
Spreads	13.5%	17.5%	18.8%	26.0%
OSS	113.9%	116.0%	121.8%	147.8%
Advances to Deposits	220.1%	145.7%	112.5%	175.2%
Liquid Assets to Deposits and Borrowings	54.5%	39.2%	43.6%	44.6%

## REGULATORY DISCLOSURES Appendix I

<b>Name of Rated Entity</b>	Sindh Microfinance Bank Limited				
<b>Sector</b>	Microfinance Bank (MFB)				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Ratings				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook/ Watch</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	30-June-26	A+	A1	Positive	Maintained
	30-Apr-25	A+	A1	Stable	Reaffirmed
	09-Jan-25	A	A1	Stable	Initial
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	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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<b>Due Diligence Meeting Conducted</b>	<b>Name</b>	<b>Designation</b>		<b>Date</b>	
	Shoaib Arif	President and CEO		15 <sup>th</sup> April, 2026	
	Amir Waheed	CFO			