Press Release

VIS Maintains Entity Ratings of Sindh Microfinance Bank Limited

Karachi, June 30, 2026: VIS Credit Rating Company Limited (VIS) has maintained entity ratings of Sindh Microfinance Bank Limited (‘SMFB’ or the ‘MFB’) at 'A/A1' (Single A/A One). Medium to long term rating of A indicates good credit quality; protection factors are adequate. Risk factors may vary with possible changes in the economy. Short term rating of 'A1' indicates strong likelihood of timely repayment of short-term obligations with excellent liquidity factors. Outlook on the assigned ratings has been changed from “Stable” to “Positive”. Previous rating action was announced on April 30, 2025.

SMFB 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 (sujjag 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 nation-wise. 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

For further information on this rating announcement, please contact at 021-35311861-64 or email at info@vis.com.pk.

Applicable Rating Criteria:

Micro-Finance
https://docs.vis.com.pk/Methodologies-2025/MicroFinance-Nov-2025.pdf

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

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