Press Release

VIS Reaffirms Entity Ratings of Sindh Bank Limited

Karachi, June 30, 2025: VIS Credit Rating Company Limited (VIS) has reaffirmed entity ratings of Sindh Bank Limited ('SNDB' or the 'Bank') at 'AA-/A1+' (Double A Minus/A-One Plus). Long-term rating of 'AA-' indicates high credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions. Short-term rating of 'A1+' indicates Strongest likelihood of timely repayment of short-term obligations with outstanding liquidity factors. Outlook on the assigned ratings is 'Stable.' Previous rating action was announced on June 28, 2024.

SNDB is a wholly owned by Government of Sindh (GoS), and has been providing Commercial Banking, Corporate and Investment Banking services for over a decade. Headquartered in Karachi, the Bank's nation-wide branch network stood at previous year level with total 330 branches (including 8 sub-branches and 14 Islamic Banking branches). The Bank provides financing to SME, Consumer and Agricultural Segments while commercial and corporate segment financing needs are entertained against liquid collateral and government guarantees, meanwhile it is expected that restrictions on other financing to commercial and corporate segment will be lifted in CY25 owing to SNDB's compliance with all regulatory ratios since CY23.

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.

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

Applicable Rating Criteria:

Financial Institution

https://docs.vis.com.pk/docs/Meth-GSEs202007.pdf

VIS Issue/Issuer Rating Scale

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