RATING REPORT

Advans Pakistan Microfinance Bank Limited

REPORT DATE:

April 29, 2021

RATING ANALYST:

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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	BBB+	A-3	BBB+	A-3
Rating Outlook	Stable		Rating Watch - Developing	
Rating Date	*April 29, 2021*		*April 28, 2020*	

COMPANY INFORMATION

Incorporated in 2012	**External auditors:** A. F. FERGUSON & CO., Chartered Accountants
Public Limited Company	**Chairman of the Board:** Dr. Claude Falgon
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Guillaume Valence
Advans SA SICAR – 100%	

APPLICABLE METHODOLOGY(IES)

Methodology: Micro Finance Banks (June 2019)
https://www.vis.com.pk/kc-meth.aspx

Advans Pakistan Microfinance Bank Limited

OVERVIEW OF THE INSTITUTION

Advans Pakistan Microfinance Bank Limited (APMBL) was incorporated in 2012 as a public limited company under Microfinance Institutions Ordinance; 2001. The bank currently holds a province-specific license, limited to the jurisdiction of Sindh. There has been no change in shareholding of the bank, and is wholly owned by Advans SA Sicar (Advans SA). Financial statements of APMBL were audited by M/s A.F. Ferguson & Co. Chartered Accountant in 2020.

Advans SA is a venture capital investment firm established by Advans International (formerly Horus Development Finance) in 2005. Currently, the group has presence in nine countries: Cambodia, Cameroon, Ghana, Democratic Republic of Congo, Myanmar, Cote d'Ivoire, Pakistan, Nigeria and Tunisia. As of Dec'19, the

RATING RATIONALE

Incorporated in April 2012, Advans Pakistan Microfinance Bank Limited ('APMBL' or 'the bank') operates as a public limited company under Microfinance Institutions Ordinance, 2001. The bank is engaged in provision of microfinance banking and related services to the poor and underserved segment of the society. As of Dec'20, the bank operated with a network of 13 (Dec'19: 13) branches. There has been no change in shareholding of the bank, and is wholly owned by Advans SA Sicar (Advans SA).

Board of Directors

Board of Directors		
Dr. Claude Falgon	Chairman/ Non-Executive	Director Advans S.A Sicar
Emmanuel Aris	Non-Executive	Advans International – Senior Investment Officer
Steven Duchatelle	Non-Executive	CEO - Advans International
Montfort Isabelle	Non-Executive	Head of Finance – Advans International
Yusra Arshad Gillani	Independent Director	Independent Legal Consultancy
Eelko Bronkhorst	Non-Executive	Chairman Board of Directors, Advans S.A
Ayesha Gulzar	Independent Director	Diversified Experience – USAID & Government Policy Departments

The Board of Directors (Board) at APMBL comprises 7 members, including 5 Non-Executive and 2 independent directors. Composition of the Board complies with bare minimum requirement set by SECP. Non-executive directors on the Board mainly include individuals in leading executive positions in the parent company. Accordingly, the Board continues to go through multiple changes on yearly basis, with only the Board chairman having been there for more than 5 years. In 2020, Ms. Ayesha Gulzar was appointed as the independent director on board as suggested in 2019. There are 4 Board sub-committees in place, which include the Board Audit Committee (BAC), Board Risk Committee (BRC), Board Remuneration Committee and Board Human Resource and Compensation Committee (BHRCC).

The following table presents the composition of these committees. As depicted in the table, all committees complies with minimum independence criteria. In CY20, Ms. Ayesha Gulzar was also appointed as the Chairperson for the Board Audit Committee.

BAC	
Ms. Ayesha Gulzar	Chairperson
Mr. Emmanuel Aris	Member
Ms. Isabelle Montfort	Member
BHRRC	
Ms. Yusra A Gilani	Chairperson
Mr. Steven Duchatelle	Member
Mr. Eelko Bronkhorst	Member
Mr. Emmanuel Aris	Member
BRC	
Ms. Isabelle Montfort	Chairperson
Dr. Claude Falgon	Member
Ms. Yusra A Gilani	Member

group's loan portfolio stood at €1.09b, having served more 1.1m clients worldwide.

Profile of Chairman

Dr. Claude Falgon serves as Chairman of the Board; his experience spans over 37 years during which he has chaired various organizations including La Fayette Participations and Advans SA. Mr. Claude has been associated with Advans International since 2005.

Profile of CEO

Mr. Guillaume Valence is currently serving as the Chief Executive Officer and member of the Board of Directors of Advans Pakistan. Guillaume is a graduate with Master's Degree in Management and Management of Public Instituion from ICN Business School degree, Commercial Institute of Nancy, EQUIS accreditation and IAE Nancy 2 University. He is a seasoned banker and a prominent microfinance professional, with around 20 years of diverse experience working with renowned financial institutions. Prior to joining Advans Pakistan in 2019, he was the Chief Executive Officer

Management Profile

Mr. Guillaume Valence was appointed as the CEO of the bank in 2019, replacing Mr. Zine El Abidine Otmani, who had held the position since July'2016. The change in CEO was in line with plans of the parent company.

Names	Designation
Guillaume Valence	CEO
Muhammad Awais Masood	CFO & CS
Saira Qabool	Head of Human Resources
Fawad Ahmed Soomro	Head of Sales & Distribution
Zubair Hafeez	Head of Risk & Compliance
Mr. Ahmed Shaheryar Khan	Chief Information Officer
Ms. Suman Valeecha	Senior Manager – Marketing

Hiring at senior management level took place in the outgoing year comprising positions of Head of Internal Audit, Head of Branch Banking and Head of HR. Ms. Saira Qabool has been appointed as the Head of HR, Mr. Ghulam Farid has joined as Head of Branch Banking and Mr. Muhammad Rizwan has been hired as the Head of Internal Audit. Management Committee (MANCOM), Asset and Liability Committee (ALCO), Risk Committee (RC) and Human Resource Committee (HRC) are four committees present at management level.

Distribution Network

APMBL has a distribution network consisting of 13 branches, where no additional branches were set up in 2020 due to the prevalent economic situation. The Majority of the branches are Karachi-based, while there is a branch each in Hyderabad, Mirpurkhas, Sukkur, Larkana, Ghotki and Nawabshah. Management plans to add a new branch based in Sindh by September-end 2021. Initially, the bank had plans in place to acquire a nation-wide microfinance banking license, albeit the same has been postponed for now.

Productivity indicators

By end-CY20, average staff strength of the bank decreased to 263 (CY19: 338). Similarly, number of loan officers stood lower at 103 (CY19: 141); as a result case load per loan officer increased to 83 (CY19: 81) by end-CY20. Management plans to increase CROs to a total of 160 by Dec'21. As per management, sufficient room is available in each branch to increase disbursements. Productivity of LOs is likely to improve going forward on account of introduction of tablets, which would ultimately reduce processing time and increase efficiency. Productivity indicators of the bank are tabulated below:

	CY19	CY20
No. of LOs	141	103
No. of Branches	13	13
No. of Active Loans	11,400	8,517
LOs per branch	10.9	7.9
Case Load – Loan officer	81	83
Amount-Loan Officer (Rs. in m)	1.24	1.27
No. of Active loans per Branch	877	656

and Managing Director of La Fayette MFB (Nigeria). His experience with Advans Group was spread across different countries with variety of cross-functional expertise including, SME Financing, Branch Operations, Risk and Financial analysis, Risk Management and Business Development.

Information Technology (IT)

Scope of the IT department encompasses stock management of Computers Systems, Network Management, Applications Management, Project Management, IT Infrastructure Management, Helpdesk Support, Security, IT Equipment Inventory Management and other technical aspects providing support to the business teams, such as: storing information, protecting information and processing, transmitting & retrieving information.

'Orbit', a Linux / Sybase based core banking system is deployed at the bank; the system was acquired from Advans International. Under Orbit, the bank has installed four modules specifically KT admin, KT online, KT teller and RepWiz.

Modules	Functionality
KT Admin	Define user management, IT Administration
KT Online	Assist in banking transactions including loan disbursements
KT Teller	Facilitate Teller users and Teller Transactions
RepWiz	Generate reports for users

The bank's Disaster Recovery (DR) site is located at Mehmoodabad branch and its primary data center is situated at head office, Bahria Complex I, Karachi. Daily data back-up is maintained at day end and the same is stored on magnetic tapes as well. Moreover, the bank has developed and implemented an intranet facility which allows the Loan Officers to update the status of their portfolio.

Internal Audit

The vacant position of Head of Internal Audit (IA) was filled in April 2021. The function has staff strength of 3, including 1 senior auditor and 2 junior auditors. The Internal Audit department is governed by an Audit Manual / Charter which clearly defines the scope and the conduct of the department along with an Audit Committee charter where Board audit committee meetings, consisting of independent and non-executive directors, are held on a quarterly basis to discuss the results of the missions performed by the internal audit department during the quarter. The internal audit department prepares a Risk based audit plan on an annual basis, where the frequency and the scope of the audit missions are defined based on the results of the risk assessment. However, at the least all branches must be visited by the internal audit departments once every year. Further, at least 80 credit files are required to be reviewed for each branch, by the internal audit department of which 40 files to be visited.

During the year 2020, though the approved annual audit plan required the audit missions to be performed on all the branches within the network, but due to COVID-19 adjustments to the annual audit plan were presented to the audit committee in 2Q2021, excluding the branches outside Karachi City due to the travelling restrictions imposed by the Government during the lock down. Those excluded branches are planned to be visited on priority during 2021.

Financial Analysis

Asset Quality

Rs. in m	2019	%	2020	%
Cash and Bank	85.8	4%	115.1	6%
Balances with other banks/NBFIs/ MFBs	230.6	12%	430.7	22%
Investments-net	98.5	5%	199.4	10%
Advances-net	1,234.7	63%	955.6	48%
Operating Fixed Assets	180.3	9%	159.5	8%
Other Assets	67.0	3%	67.6	3%
Deferred Tax Assets- net	49.3	3%	55.8	3%

The bank's asset base grew by a meager 2% in 2020. Amidst COVID, the bank mobilized its borrowings and deposits on investments in other banks and TFCs since disbursements were limited during 2020.

Gross loan book of the bank fell by 15.4% at end-Dec'20 on account of management's deliberate strategy of limiting disbursements amidst COVID led slowdown in the economy. The bank's market share was reported at 0.5% (Dec'19: 0.4%) at end-2020. The sectoral breakup of loan portfolio comprises lending to four sectors, i.e. agriculture, MSMEs, Livestock and Gold. Among these sectors, MSMEs has the highest contribution in total advances of the bank at around 90.4% (2019: 92.7%) at end-Dec'20. The sectoral portfolio is expected to remain the same going forward.

(Rs. in millions)	Dec'19	%	Dec'20	%
Advans Sona Sarmaya - EMI	18.7	1%	14.6	1%
Advans Sona Sarmaya - Bullet	74	6%	88.8	8%
Advans Tijarat	884.3	70%	412.8	38%
Advans Tijarat Plus	50.9	4%	21.8	2%
Advans Tijarat Minus	241.7	19%	133	12%
COVID-19 restructured	0	0%	403.5	38%
Total Advances	**1,269.60**	100%	**1,074.50**	100%

The bank's product suite can be broadly segregated into two categories; unsecured individual loans and secured gold-backed loans. Advans Tijarat (unsecured loan) has been further divided into two further sub-products namely Advans Tijarat Plus and Advans Tijarat Minus products. Depending upon client behavior and repayment history, the clients may be migrated into Advans Tijarat Plus loan, which has lower interest rates than normal Advans Tijarat loan. Similarly, clients with chequered repayment history may be transferred to Advans Tijarat Minus loan, which has higher interest rates relative to normal Advans Tijarat loan. All the unsecured loan products have monthly repayment structure. Advans Sona Saramaya is the secured gold backed loan with both EMI and bullet repayment options. No significant changes were witnessed in the product portfolio during 2020 with continuity of high concentration in EMI products. Hypothecation of assets and personal guarantees constitute collaterals for these unsecured loans.

Due to the prevalent economic situation, average loan-size witnessed a decrease to Rs. 198,878 (2019: Rs. 198,958) at end-Dec'20. Moreover, the number of active loans of the bank decreased to 8,517 (CY19: 11,400) at end-Dec'20. At end-Dec'20 around 60% of the net loan portfolio was deferred/re-scheduled under SBP relief, 56% of which has been collected. Timely collection of outstanding due portfolio is considered important from a ratings perspective. The gross loan portfolio is projected to increase going forward; however the growth is expected to remain subdued amidst COVID-19 scenario.

(Rs. in millions)	2019	2020
Gross Advances	1,269.6	1,074.4
Specific Provisioning	23.3	39.0
General Provisioning	11.5	79.8
Net Advances	**1,234.7**	**955.6**
NPLs	65.1	89.7
NPLs written off	54.5	120.9
Tier 1 Equity	525.3	552.7
Gross Infection	5.1%	8.4%
Net Infection	3.3%	4.9%
Incremental Infection	7.9%	12.0%
Provisioning Coverage	53.6%	132.0%
Net NPLs/Tier 1 Equity	7.8%	8.0%

Akin to the industry, APMBL also experienced notable credit impairment, with gross NPLs growing by 1.4x at end-Dec'20. As of Dec'20, the bank's gross infection was reported at 8.4% (Dec'19: 5.1%). Taking into account the write-offs, the incremental infection was even higher at 12% (Dec'19: 7.8%).

Provisioning coverage complies with the regulatory requirement along with additional provisioning to the tune of Rs. 70m recording at end-2020 given heightened credit risk environment. Despite higher provisioning, the net infection of the bank has increased to 4.9% (2019: 3.3%). Future trend with respect to asset quality indicators will continue to be tracked by VIS.

Liquidity

Deposit base of the bank grew by 10.6% at end-Dec'20 and was reported at Rs. 1.1b (2019: Rs. 954m). Albeit improving, liquidity risk is considered on the higher side, given top 50 depositors comprising 68% (2019: 86%) of the total deposit base at end-2020. The reduced granularity is a source of concern as it makes the bank vulnerable to liquidity shortfalls. The management has planned to upgrade the deposit team and improve depositor concentration. Deposit base breakups are provided in the tables below.

(Rs. in millions)	2019	2020
Individual Depositors	920.6	1,032.0
Corporation/ firms	33.1	23.1
Total Deposits	**953.7**	**1,055.2**

(Rs. in millions)	2019	%	2020	%
Fixed Deposits	689.3	72%	756.2	72%
Saving deposits	185.9	19%	250.7	24%
Current deposits	78.5	8%	48.3	4%
Total Deposits	**953.7**		**1,055.2**	

Growth in deposits materialized in form of savings deposits which constituted 24% of the aggregate (Dec'19: 19%, Dec'18: 31%) at end-Dec'20. Fixed deposits continued to constitute 72% of the total deposit at end-2020 (Dec'19: 72%) as a deliberate strategy since the bank has limited financing lines available. CASA (%) has remained at prior year level and was reported at 28% (Dec'19: 28%) at end-Dec'20.

	Dec'19	Dec'20
Largest 5	48%	40%
Largest 50	86%	68%

(Rs. in millions)	2019	2020
Investments	98.5	199.4
Cash and balances with SBP and NBP	85.8	115.1
Balances with other banks and MFBs	230.6	430.7
Liquid Assets	**414.8**	**745.2**
Deposits	**953.7**	**1,055.2**
Borrowing	**300.0**	**225.0**
Liquid Assets to Deposits and Borrowing(x)	33.1%	58%
Advances to Deposits	1.33	1.02
CA (%)	8%	5%
CASA (%)	28%	28%

The quantum of borrowings decreased from Rs. 300m to Rs. 225m; this entirely represents credit facility from Pakistan Microfinance Investment Company (PMIC), which is being utilized to its full extent. The facility carries mark-up at the average rate of 6M KIBOR plus 4% (to be set at the start of each quarter). To manage liquidity requirements, the bank is currently negotiating additional borrowing lines from banks and the sponsor.

Cognizant of increasing liquidity risk, excess liquidity was partially retained, resulting in an increase in liquid assets to deposits & borrowings. Going forward, management envisages inflow of few big deposits from Provident and Gratuity Funds of corporates. The bank is also negotiating with AMCs for further deposit enhancement from SMAs. In addition, the management is also focusing on proactively managing relationship with large-sized depositors, in order to foresee any major withdrawals in advance.

Profitability

Profitability of the bank took a downward trend primarily owing to declining spreads, higher provisions and exponential decrease in non-markup income of the bank. The bank's topline fell by 14% during 2020, with majority of the downtick being contributed by the subdued return on the advances portfolio.

(Rs. in millions)	2019	%	2020	%
Advances	500.1	96%	418.7	93%
Government Securities - Market Treasury bills	10.1	2%	17.1	4%
Term deposits	-	-	-	-
Deposit accounts	11.1	2%	14.0	3%
Total markup earned	**521.3**	**100%**	**449.8**	**100%**

Spreads posted significant decrease in 2020, which is aligned with the industry.

	2019	2020
Spreads	**27.8%**	**15.7%**
- Return on Markup Bearing Assets	41.2%	28.6%
- Cost of Funds (Deposits)	13.4%	12.9%

(Rs. in millions)	2019	2020
Net Spread Income	393.4	286.3
Provisions	(69.0)	(204.8)
Fee Income	70.4	41.7
Other Income	80.9	18.8
Administrative Expenses	(474.4)	(396.5)
Other Expenses	(1.0)	(1.8)
Pre-tax profit/(loss)	0.4	(256.4)

Operational self-sufficiency (OSS) ratio decreased to 64.3% (CY19: 88.2%) in line with higher provisioning recorded on account of higher incidence of non-performing loans emanating from the urban portfolio during CY20. There is room for improvement as recurring income is not sufficient to cover operating expenses. The company's core operating result in 2020 was a loss of Rs. 70.3m (2019: loss of Rs. 11.5m) largely originating from declining spreads. Overall profitability of the bank was further impacted by higher provisions and lower recurring income. Other income of the bank declined in 2020 due to absence of lesser quantum of liabilities no longer required to be written-off.

Resultantly, the bank posted pre-tax loss of Rs. 256.4m (2019: Profit of 0.4m) during 2020. Accounting for taxation, the bank posted net loss of Rs. 257.6m (2018: PAT of Rs. 14.9m). Management expects achievement of month-on-month break-even by July'21. Profitability indicators of the bank improved in 1Q21 owing to higher operating income due to increase in spreads and disbursements. Going forward, management envisages improvement in profitability profile on the bank of projected increase in spreads, lower cost of risk and uptick in disbursements.

Capitalization

(Rs. in millions)	2019	2020
Share Capital	1,290.2	1,575.2
Reserves (incl. depositors protection fund)	3.7	3.7
Accumulated losses	(768.6)	(1,026.2)
	525.3	**552.7**
Deferred Grant	0.7	0.7
Total Equity	**526.0**	**553.4**

The bank's paid up capital grew by Rs. 285m at end-CY20 due to equity injected by the parent company on account of increase in non-performing loans and losses. Consequently, Capital Adequacy Ratio (CAR) of the bank increased to 29.7% (CY19: 19.8%) by end-CY20 due to growth in tier-1 equity.

As of Dec'20, the bank's net equity stood at 552.7m against a regulatory requirement of Rs. 500m. Even though, at present the bank's CAR remains comfortably above the minimum CAR requirement of 15%, given the proximity to minimum equity floor, the bank's capitalization is a concern. Consistent sponsor support in the form of equity injection is viewed positively. Even though the rising credit impairment, and higher net-NPLs to equity, is a source of concern, comfort is drawn from historical track record of parent-level support.

Advans Pakistan Microfinance Bank Limited — Appendix I

FINANCIAL SUMMARY	(amounts in PKR millions)			
BALANCE SHEET	**31-Dec-18**	**31-Dec-19**	**31-Dec-20**	**31-Mar-21**
Cash and Bank Balances with SBP and NBP	102.0	85.8	115.1	122.0
Balances with other Banks and/NBFIs/MFBs	28.2	230.6	430.7	187.8
Lending to Financial Institutions	0.0	0.0	0.0	0.0
Total Investments	0.0	98.5	199.4	299.5
Net Advances	978.0	1,234.7	955.6	1,271.2
Operating Fixed Assets	98.0	180.3	159.5	155.8
Other Assets	64.9	67.0	67.6	89.9
Total Assets	**1,296.6**	**1,946.2**	**1,983.8**	**2,182.0**
Total Deposits	552.3	953.7	1,055.2	1,123.9
Borrowings	100.0	300.0	225.0	225.0
Subordinated Debt	0.0	0.0	0.0	0.0
Other Liabilities	132.8	166.5	150.2	183.4
Tier-1 Equity	510.3	525.3	552.7	648.9
Net Worth	511.5	526.0	553.4	649.7
Paid Up Capital	1,290.2	1,290.2	1,575.2	1,725.2
INCOME STATEMENT	**31-Dec-18**	**31-Dec-19**	**31-Dec-20**	**31-Mar-21**
Net Mark-up Income	265.5	393.4	286.3	101.0
Net Provisioning / (Reversal)	33.6	69.0	204.8	63.8
Non-Markup Income	56.8	151.3	60.4	32.2
Operating Expenses	402.1	475.4	398.3	120.7
Profit Before Tax	-113.5	0.4	-256.4	-51.2
Profit after tax	-114.2	14.9	-257.6	-53.8
RATIO ANALYSIS	**31-Dec-18**	**31-Dec-19**	**31-Dec-20**	**31-Mar-21**
Gross Infection (%)	2.8%	5.1%	8.4%	5.9%
Incremental Infection (%)	4.8%	7.9%	12.0%	3.0%
Provisioning Coverage (%)	72.1%	53.6%	132.4%	168.6%
Net Infection (%)	1.7%	3.3%	4.9%	3.7%
Net NPLs to Tier-1 Capital (%)	3.3%	7.8%	8.0%	6.8%
Capital Adequacy Ratio (%)	42.9%	31.2%	41.4%	NA
Markup on earning assets (%)	37.5%	41.2%	28.6%	32.6%
Cost of Funds (%)	10.8%	13.4%	12.9%	11.7%
Markup Spreads (%)	26.8%	27.8%	15.7%	20.8%
OSS (%)	76.8%	88.2%	64.3%	74.4%
ROAA (%)	-9.9%	0.9%	-13.1%	-10.3%
ROAE (%)		3%	-48%	-36%
Advances to Deposit Ratio	180.8%	133.1%	101.8%	125.7%
Gearing (x)	NA	NA	NA	NA
Current Ratio (x)	NA	NA	NA	NA
Liquid Assets to deposits & borrowings (%)	20.0%	33%	58%	45%
Added Information- COVID-19 Restructuring as per SBP's notification				
	31-Dec-18	**31-Dec-19**	**31-Dec-20**	**31-Mar-21**
Total Rollover Portfolio (Rs. in b)		NA	0.58	0.41
Deferred Portfolio		NA	NA	NA
Restructured Portfolio		NA	NA	NA
Rollover Portfolio to Net Advances (%)			60%	33%

Current Cash Recovery (%)		75%	81%
Amount Recovered (Rs. in b)		0.32	0.32
Amount to be Recovered (Rs. in b)		0.25	0.09
Write off (Rs. in b)	0.05	0.121	0.041
Write off to GLP (prior to write-off) (%)	4%	10%	3%
Provisioning to Total Income (%)	13%	59%	48%
Provisioning to Profit After Tax (%)	461%	-80%	-119%
Provisioning to Gross Loan Portfolio (%)	5%	19%	18%
Provisioning to Net Advances (%)	6%	21%	20%
Mark-up Accrued (Rs. in b)	0.034	0.043	0.054
Mark-up Accrued to Net Interest Income (%)	13%	11%	5%
Categorization of NPL Classification (%)			
OAEM	*25.1%*	*32.8%*	*17.0%*
Sub-Standard	*22.0%*	*14.9%*	*21.3%*
Doubtful	*44.9%*	*25.2%*	*56.3%*
Loss	*7.9%*	*27.2%*	*5.4%*
Total NPL (Rs. in m)	65.1	90	84

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORYDISCLOSURES	Appendix III
Name of Rated Entity	Advans Pakistan Microfinance Bank Limited (APMBL)
Sector	Micro Finance Bank (MFB)
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	(see table below)

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
4/29/2021	BBB+	A-3	Stable	Maintained
4/28/2020	BBB+	A-3	Rating Watch - Developing	Maintained
4/26/2019	BBB+	A-3	Stable	Reaffirmed
4/25/2018	BBB+	A-3	Stable	Reaffirmed
3/16/2017	BBB+	A-3	Stable	Reaffirmed
4/29/2016	BBB+	A-3	Stable	Reaffirmed
4/28/2015	BBB+	A-3	Stable	Reaffirmed
4/25/2013	BBB+	A-3	Stable	Initial

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 Meetings Conducted

Name	Designation	Date
Mr. Awais Masood	CFO	April 15, 2021
Mr. Guillaume Valence	CEO	April 27, 2021