RATING REPORT

Advans Pakistan Microfinance Bank Limited

REPORT DATE:
April 28, 2023

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		Stable	
Rating Date	*April 28, 2023*		*April 29, 2022*	

COMPANY INFORMATION	
Incorporated in 2012	**External Auditors:** BDO Ebrahim & 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.

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.

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 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 LAE

RATING RATIONALE

Headquartered in Karachi, Advans Pakistan Microfinance Bank Limited ('APMBL' or 'The Bank') operates as a public limited company under Microfinance Institutions Ordinance, 2001. APMBL is a small-sized microfinance bank (MFB) with a decade-long operational history. APMBL holds a province-specific license for operating within Sindh; presently working with a network of 19 branches. Assigned ratings account for sponsor strength (100% stake by Advans SA Sicar, an international microfinance group with presence in nine countries) and a decade-long operating experience in domestic market. The ratings revision encapsulates the impact of weakening of macroeconomic indicators wherein portfolio credit quality has been impacted and the financial risk profile of the Bank has weakened. The deterioration of asset quality has led to negative bottom line which along with increase in risk weighted assets stemming from continued lending in unsecured segments has resulted in drop in capital adequacy ratio (CAR) during the outgoing year. Despite increase in spreads, the profitability metrics were dismal owing to significant provisioning expense and higher administrative expense booked on account of network expansion. Additional rating triggers include weakening of liquidity position underpinned by high ADR ratio, sizable deposit concentration and full utilization of borrowing lines available. The ratings take note of additional equity injection to the tune if Rs. 400m expected during the ongoing year to give the Bank adequate room for growth; the ratings will remain dependent on successful and timely execution of the planned equity infusion. Given distressed macro-economic indicators with ongoing inflation putting a drag on clients' disposable incomes and repayment capacities, maintenance of asset quality will remain important from ratings perspective. Moreover, the strengthening of profitability and liquidity metrics is also important for the sustenance of ratings.

Key Rating Drivers:

Sound corporate governance framework, which is supported by a well-designed organizational structure and qualified senior management team.

Board of Directors:

Board of Directors (BoD) comprises total 7 members, including 5 non-executive and 2 independent directors. Non-executive directors mainly include professionals working in the executive roles in the parent company. Since last review, there has been no change in the board composition.

Table 1: Board Composition

Name	Status	Position
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
Eelko Bronkhorst	Non-Executive	Chairman Board of Directors, Advans S.A
Yusra Arshad Gillani	Independent Director	Independent Legal Consultancy
Ayesha Gulzar	Independent Director	Diversified Experience – USAID & Government Policy Departments
Guillaume Valence	CEO/ Executive Director	CEO-Advans Pakistan Microfinance Bank

For effective oversight, there are four board level committees in place namely; Board Audit Committee (BAC), Board Risk Committee (BRC), Board Remuneration Committee and Board Human Resource

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 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.

and Compensation Committee (BHRCC). As per best practices, an independent director chairs BAC and all committees comply with minimum independence criteria.

Management Profile:

The CEO, Mr. Guillaume Valence who joined in 2019, spearheads the management team. He is a seasoned banker and prominent microfinance professional, with 20+ years of diverse experience working with renowned financial institutions. During the rating review period, the Head of Human Resources (HR) and Chief Information Officer (CIO) resigned; the position of Head HR has been filled while the Head of IT, Mr. Junaid Hussain, has been given the charge of CIO as the aforementioned position has now been discontinued. Other than the mentioned above, there was no change in the senior management; stability in the same is considered critical for growth and sustenance of the Bank going forward.

Table 2: Senior Management

Names	Designation
Guillaume Valence	CEO
Muhammad Awais Masood	Deputy CEO, CFO & CS
Samiha Ali Zahid	Chief Human Resources Officer
Ghulam Farid Bhutta	Head of Branch Banking
Zubair Hafeez	Head of Risk & Compliance
Junaid Hussain Siddiqui	Head of IT
Muhammad Rizwan	Head of Internal Audit
Nastasia Le Tallec	Head of Operations
Tanya Khan	Head of Marketing

The management level committees include Management Committee (MANCOM), Asset and Liability Committee (ALCO), Risk Committee (RC) and Human Resource Committee (HRC). Minutes of all the meetings are formally documented.

Distribution Network:

In line with continuation of the expansion strategy embarked by the management to improve the Bank's market footprint in the designated province, Sindh, APMBL added 5 branches (FY21:1) taking the total tally of branches to 19 (FY21: 14) by end-FY22. Eight branches are based in Karachi, with major presence in other cities including Hyderabad, Mirpurkhas, Sukkur, Larkana, Ghotki,Nawabshah, Naushero Feroz Khairpur, Shikarpur and Shahdadpur. The Bank currently holds a province-specific license, limited to the jurisdiction of Sindh. However, plans to acquire a nation-wide MFB license in the medium term to compete with industry peers.

Productivity Indicators:

In line with increase in scale of operations, total number of loan officers (LOs) employed by the Bank increased by end of the ongoing year. Therefore, the number of LOs per branch increased during the period under review. On the other hand, the average portfolio size per LO and average caseload was recorded lower with increase in LO induction outpacing growth in gross loan portfolio (GLP) and micro-credit borrowers respectively. The high LOs attrition rate remains a major challenge for the industry. The high LO turnover gives way to portfolio management challenges, training and skill gap, inferior understanding of product and increase in burden on existing staff. All these challenges hamper both asset acquisition and Bank's recovery drive. As per the management, in order to manage these risks, adjustments will be made in remuneration package in order to retain the field staff. Going forward, management plans to increase the total workforce to 600+ employees. Productivity indicators are tabulated below:

Table 3: Productivity Indicators

	2021	2022
No. of LOs	216	317

No. of Branches	14	19
No. of Active Loans	15,163	19,302
LOs per branch	15.4	16.7
Case Load – Loan officer	69	61
Amount/Loan Officer (In Rs. Mil)	11.5	10.9
No. of Active loans per Branch	1,083	1,016

Information Technology (IT):
'Orbit', a Linux/ Sybase based core banking system is deployed at the Bank; the system was acquired from the parent company, Advans International. Under Orbit, APMFB has installed four modules specifically KT admin, KT online, KT teller and RepWiz. Primary data center is situated at head office while disaster recovery site is also in place. Data back-up is being maintained on external hard drives on a daily basis. During the ongoing year, high end server and SAN storages are planned to be added in the infrastructure at both primary and secondary data centers. In addition, the management also aims to add the automated backup and tape library.

Internal Audit (IA):
An audit manual governs the Internal Audit (IA) department while a risk-based audit plan is prepared annually, where the frequency and scope of audit is defined based on the results of risk assessment. Nevertheless, all branches must be visited at least once a year. Further, at least 80 credit files are required to be reviewed for each branch, of which 40 are visited as well. BAC meetings are held on a quarterly basis to discuss the results of missions performed by IA.

Financial Analysis

Credit Risk

Growth in gross loan portfolio (GLP):

Gross financing portfolio has registered growth of around 39% which continues to be funded by augmentation of deposit base. The management has continued focus towards deposit-based lending growth over the years that has resulted in timeline improvement in ADR to ~ 109% in FY22 from 181% in 2018. With recovery in the global economy post pandemic, the loan disbursements were recorded higher at Rs. 4.4b primarily owing to increase in average ticket size recorded at Rs. 180,241 (FY21: Rs. 164,479); the same was largely an outcome of progression of clients to successive loan cycles wherein automatic increase in renewal loan is inbuilt as proportion of highest-ticket size loan pertaining to Advans Tijarat was maintained at 74% (FY21: 74%) of GLP at end-FY22. The exclusive relaxation given by SBP to the Bank for increasing its upper lending credit limit to Rs. 1.0m from 0.5m reflected in the average ticket size; the same is a higher side in comparison to peers which can positively contribute to efficiency indicators. Subsequently, market share (in terms of GLP) increased slightly to 0.7% (FY21: 0.6%); however, still remains the lowest amongst MFBs. Moderately aggressive lending strategy was opted as credit demand remained healthy with gradual recovery in various pandemic-hit sectors specifically MSME. Going forward, the management plans to close the ongoing year with a GLP of Rs. 4.9b; however, owing to significant drop in capital adequacy ratio (CAR) at end-FY22, the materialization of the same would remain contingent upon timely injection of planned equity as otherwise no major room for growth is available.

Microcredit Portfolio Risk Segregations:

Sectoral breakup comprises lending to four sectors, i.e. agriculture, MSMEs, Livestock and Gold. Since last review, financing mix has largely remained unchanged with MSME financing representing the largest chunk. Product suite can be broadly segmented into two categories; unsecured individual loans and secured gold-backed loans. Hypothecation of assets and personal guarantees constitute collaterals for unsecured loans. All unsecured loan products, barring Advans Kissan Bullet, entail monthly repayment structure while the secured gold backed loans feature both EMI and bullet repayment options. Therefore, in terms of repayment structure, the portfolio mix largely remained unchanged with significant tilt towards EMI loans as the same comprised around 90% (FY21: 90%) of total portfolio. Given the same, recovery ratio is favorable with effective management of credit risk. Going forward, the management plans to maintain proportion of EMI loans in the medium term owing to high repayment risk associated with bullet lending especially in times of prevailing economic downturn. Moreover, the secured portfolio largely remained unchanged during the rating review period. In terms of product mix, concentration exists as Advans Tijarat, which is the flagship product, represents the largest proportion of loan portfolio. In addition, Advans Tijarat is sub-segmented into Advans Tijarat Plus and Advans Tijarat Minus featuring repayment and interest rate flexibility. At present, there are total two eight products being offered as tabulated below:

Table 4: Product-wise Breakup of Gross Advances (Rs. in millions)

	Dec'21	%	Dec'22	%
Advans Sona Sarmaya - EMI	23.6	*1%*	*21.4*	*0.6%*
Advans Sona Sarmaya - Bullet	227.7	*9%*	*309.8*	*8.9%*
Advans Tijarat	1,840.2	*74%*	*2,573.6*	*74%*
Advans Tijarat Plus	44.1	*2%*	*18.1*	*0.5%*
Advans Tijarat Minus	214.9	*9%*	*471.9*	*13.6%*
Advans Kissan Bullet	30.9	*1%*	*54.1*	*1.6%*
COVID-19 Restructured	112.5	*5%*	*9.4*	*0.3%*
Advans Kissan Restructure	0	*0%*	*20.7*	*0.6%*
Total Advances	**2,493.9**		**3479.0**	

Deferred, Restructured, Rollover (DRR) Portfolio:

As at Dec'22, the deferred portfolio pertaining to regulatory relief under Covid-19 decreased sizably to Rs. 9.4m (Dec'21: 112.5m) as the scheme matured on Mar'21. Under the SBP relief package, the regular/performing borrowers were allowed to reschedule/defer their loans in accordance with the SBP guidelines. As per the management, out of the total DRR portfolio of Rs. 970.0m rescheduled at end-1QFY21, Rs. 150.0m has been written off with Rs. 9.4m outstanding at end-FY22. Out the outstanding amount, Rs. 5.0m is classified under npls. The SBP, in exercise of its powers carried out on-site inspection of the Bank for the period from January 01, 2020 to June 30, 2022. In the on-site assessment report dated January 10, 2023, SBP directed the Bank to provide for an additional amount of Rs. 117.2m on advances, related to 448 clients. The Bank was also directed to reverse the income recognized amounting to Rs. 2.9m in this regard. The Bank duly complied with the directions and classified the aforementioned amount as non-performing loans (npls). APMFB also booked additional provisioning and income reversal of Rs. 19.0m of Rs. 0.7m respectively after taking into account the reversals allowed under Prudential Regulations. As a result, the amount recovered from the DRR portfolio was reported at Rs. 810.6m. The transition of DRR Portfolio at end-FY22 is presented in the table below:

	Amounts in billion
Rollover & restructured Portfolio (DRP) at 31st March, 2021	Rs. 970m
Amount Outstanding at end-FY22	Rs. 9.4m
Written-off by end-FY22 (including FY21 write-offs also)	Rs. 150m
Classified under NPL at end-FY22	Rs. 5.0m
Amounts recovered till end-FY22	Rs. 810.6
Percentage Recovered	84.3%

As per the management, given the Bank does not operate in flood-hit areas, the amount of agri portfolio impacted was recorded lower at Rs. 20.7m; the entire amount involves unsecured lending. However, due to unprecedented rains in major cities and weak macroeconomic indicators, the Bank's customers have suffered business losses which in turn have culminated in high delinquency rate.

Asset Quality:

Despite majority of DRR portfolio related npls recorded in FY21, npls of the Bank increased to Rs. 187.3m as opposed to Rs. 77.7m in FY21 on account of high non-repayment instances recorded owing to recent economic and financial downturn. Therefore, gross and net infection increased during the rating review period. Further, the advances charged off against provisions stood higher at Rs. 170.4m (FY21: Rs. 129.2m) at end-FY22; meanwhile, bad debts directly written off stood at Rs. 4.3m (FY21: nil); however, the proportion of the same is insignificant in comparison to total write-offs for the year. With sizable quantum of write-offs added, the incremental infection also showed worsening and was recorded higher at end-FY22. Subsequently, the provisioning coverage (specific only) was also recorded higher in line with incremental provision added as per SBP's instruction.

Table 5: Asset Quality Indicators (Rs. in millions)

Infection (Rs. in m)	2020	2021	2022
Gross Advances	1,074.4	2,494.0	3,479.0
Specific Provisioning	39.0	31.3	115.0
General Provisioning	79.8	32.6	31.1
Net Advances	**955.6**	**2,430.1**	**3,333.0**
NPLs	95.5	77.7	187.3
NPLs written off	120.9	129.2	170.4
Tier 1 Equity	552.7	756.6	653.7
Gross Infection	8.9%	3.1%	5.4%
Net Infection	5.5%	1.9%	2.1%
Incremental Infection	12.4%	6.1%	9.2%
Specific Provisioning Coverage	40.8%	40.2%	61.4%
Total Provisioning Coverage	124.4%	82.2%	78.0%

Deterioration in liquidity coverage metrics.

APMFB's liquidity position demonstrated weakening on account of reduced investment in liquid avenues along with low recovery ratio in light of higher incurrence of npls recorded during the period under review. The drop in liquidity indicators is further underpinned by the fact that despite all the above-mentioned liquidity stress indicators, the entire deposit base along with some portion of borrowings is channelized towards micro-credit portfolio; hence, net advances to deposits ratio (ADR) remained high at 108.5% (FY21: 109.8%) at end-FY22. As a result, overall coverage of liquid assets by deposits & borrowings declined sizably during the rating review period.

Table 8: Liquidity Metrics (Rs. in millions)

Liquidity (Rs. in m)	2020	2021	2022
Investments	199.4	-	146.5
Cash and balances with SBP and NBP	115.1	259.9	327.2
Balances with other banks and MFBs	430.7	267.8	22.8
Liquid Assets	745.2	527.7	496.5
Deposits	1,055.2	2,272.3	3,206.9
Borrowing	225.0	100.0	310.2
Liquid Assets to Deposits and Borrowing(x)	**58%**	**22%**	**14%**
Advances to Deposits	1.02	1.10	1.08
CA (%)	5%	4%	3%
CASA (%)	28%	42%	16%
Liquid Assets/ TA	38%	16%	11%

Deposit base of the Bank grew sizably by 115% in the outgoing year, amounting to Rs. 3.2b (FY21: Rs. 2.3b). Since last review, a shift was noted in the deposit mix from individuals to institutional depositors; major inflows pertain to retirement funds of corporates. Top 50 depositors constitute 67% (FY21: 70%) of total deposits depicting high concentration risk and increased vulnerability to liquidity shortfalls. However, proactive relationship management with large-sized depositors, in order to foresee any major withdrawals provides comfort to some extent.

Table 6: Break-up of Deposits (Rs. in millions)

	2020	%	2021	%	2022	%
Individual Depositors	1,032.0	*98%*	643.9	*28%*	779.8	*24%*
Corporation/ Firms	23.1	*2%*	1,628.3	*72%*	2,427.0	*76%*
Total Deposits	**1,055.2**		**2,272.3**		**3,206.8**	

The deposit growth was primarily manifested in fixed deposits with their proportion in the overall deposit mix recorded higher during the outgoing year. With term deposits entailing fixed maturity, the withdrawal risk is mitigated as the same supports increased stickiness. However, on the other hand, the cost of funding is expected to be impacted resulting in pressure on spreads as fixed deposits have the highest markup charge. In addition, with reduction in absolute value of saving deposits, the CASA proportion declined sizably to 16% (FY21: 42%) at end-FY22.

Table 7: Deposit Mix (Rs. in millions)

	2020	%	2021	%	2022	%
Fixed Deposits	756.2	*72%*	1,319.3	*58%*	*2,689.2*	*84%*
Saving deposits	250.7	*24%*	861.6	*38%*	*410.3*	*13%*
Current deposits	48.3	*4%*	91.3	*4%*	*107.3*	*3%*
Total Deposits	**1,055.2**		**2,272.3**		**3,206.8**	

In line with increase in scale of operations along with two tranches of the facility received during the outgoing year, the utilization of term-finance facility increased to Rs. 300m (FY21: Rs. 100m) at end-FY22. The facility carries mark-up at the average rate of 6M KIBOR plus 4% (to be set at the start of each quarter) and is secured by hypothecation of fixed assets of the Bank and demand promissory notes. In addition, the credits line is repayable by end-Sep'24 in 8 quarterly installments of unequal amounts. APMFB obtained a new financing facility of Rs. 16m for purchase of new locally manufactured / assembled vehicles to be used by management at a rate of 1M- KIBOR + 2.0% per annum. The tenor of the facility is 3 years with repayment of principal to be made in 36 equal monthly installments. This loan has been secured against custody of original excise file along with copy of registered book / card and spare key along with 1st exclusive charge against the vehicles to be registered with SECP in favor of lender. In addition, the Bank has also arranged for a short-term financing of Rs. 200m in Jan'23 to meet liquidity requirements. The management of liquidity indicators will remain a key rating concern going forward.

Profitability impacted as negative bottom line reported despite improvement in spreads:

Despite improvement in spreads, APMFB's profitability position has weakened during the outgoing year in line with significant provisioning expense booked owing to sizable npls emanating from rollover and post-covid portfolios and higher administrative expenses. The spreads increased owing to high yield on earning assets recorded; the same was a function of higher yield of micro-credit portfolio booked as price increase of 5-6% was made across the entire lending portfolio. As per the management, in order to curtail the risk of spread compression, the increase in policy rate is immediately transferred to borrowers with upward pricing adjustment made to the lending rates. The APMFB's annualized percentage rate (APR) is the highest amongst MFBs; the same is a function of distinct profile of borrowers pertaining to middle income strata as opposed to largely conventional micro-credit borrowers involved in agri and livestock sectors in the industry.

Table 9: Markup Income Earned (Rs. in millions)

Markup Earned (Rs. in m)	2020	%	2021	%	2022	%
Advances	418.7	93%	749.4	97%	1,266.3	97%
Government Securities - Treasury Bills	17.1	4%	12.5	2%	20.4	2%
Deposit accounts and term deposits	14.0	3%	13.1	2%	19.1	1%
Total markup earned	**449.8**		**775.0**		**1,305.8**	

The administrative expenses increased significantly owing network expansion carried out with addition of 5 new branches. The increase in operating expenses was also on account of inflationary commodity super cycle experienced during the rating review period. Therefore, despite slight growth in recurring non-markup income, primarily loan processing fee (LPF) in line with higher GLP along increase in LPF charge, Operational self-sufficiency (OSS) ratio showed a downward trend and was recorded low at 93.9% (FY21: 105.6%) during FY22. Subsequently with OSS recorded lower than 100% indicating expenses are not being covered by income, APMBL reported negative bottom line of Rs. 102.9 during FY22 as opposed to profit of RS. 53.9m reaped in preceding year subsequently resulting in capital erosion. Going forward, recovery of profitability metrics is considered important from the ratings perspective.

Table 10: Income Statement Figures (Rs. in millions)

	2020	2021	2022
Return on Markup Bearing Assets	*28.6%*	*36.1%*	*42.5%*
Cost of Funds (Deposits)	*12.9%*	*10.1%*	*14.6%*
Spreads	**15.7%**	**26.0%**	**27.9%**
Net Markup Income	286.3	590.4	875.2
Provisions	(204.8)	(74.2)	(256.8)
Fee Income	41.7	110.9	165.6
Other Income	18.8	31.3	29.0
Administrative Expenses	(396.5)	(600.5)	(909.5)
Other Expenses	(1.8)	(1.5)	(1.2)
Pre-tax profit/(loss)	**(256.4)**	**56.4**	**(97.7)**

Capitalization buffers may be further strengthened.

The total equity base of the Bank decreased to Rs. 654.5m (FY21: 756.6m) on account of loss reported during the review period. The Bank is required to contribute 20% of net profit to statutory reserve till the reserve fund equals the paid-up capital. Afterwards, the contribution is reduced to 5% of profit after tax. However, owing to incurrence of loss during the last years no contribution to the reserve was made. Hence, the balance of statutory reserves remained unchanged at Rs. 13.8m (FY21: Rs. 13.8m) at end-FY22. In addition, the Bank is also required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of annual after-tax profit to Depositors Protection Fund (DPF). Further, profits earned on investments of the fund are credited to DPF for the purpose of providing security or guarantee to specified persons for depositing money in the Bank. Therefore, despite loss reported, Rs. 0.6m was transferred to DPF on account of return on investments. As a combined impact of reduction in core equity along with high incidence and reporting of npls, net NPLs as a percentage of the Bank's Tier-I capital were recorded higher at 11.1% (FY21: 6.1%) at end-FY22. Further, in line with incurrence of loss and increase in risk weighted assets, CAR stood lower to 15.8% (FY21: 26.1%) at end-FY22. As per the management, the sponsors have agreed to inject equity to the tune of Rs. 400m; the same is expected to pitched in by end-June'23. Subsequently, CAR is expected to remain above minimum requirement with the planned growth. Moreover, ratings continue to draw comfort from the demonstrated sponsor-level support on a timeline basis.

Table 11: Capitalization Indicators (Rs. in millions)

	2020	2021	2022
Share Capital	1,575.2	1,725.2	1,752.2
Reserves	3.7	17.2	17.2
Accumulated losses	(1,026.2)	(985.8)	(1,089.2)
Tier 1 Equity	**552.7**	**756.6**	**653.7**
Deferred Grant	0.7	0.7	0.7
Total Equity	**553.4**	**757.3**	**654.5**

Advans Pakistan Microfinance Bank Limited Appendix I

FINANCIAL SUMMARY			(amounts in PKR millions)	
BALANCE SHEET	**31-Dec-19**	**31-Dec-20**	**31-Dec-21**	**31-Dec-22**
Cash and Bank Balances with SBP and NBP	85.8	115.1	259.9	327.2
Balances with other Banks and/NBFIs/MFBs	230.6	430.7	267.8	22.8
Lending to Financial Institutions	0.0	0.0	0.0	0.0
Total Investments	98.5	199.4	0.0	146.5
Net Advances	1,234.7	955.6	2,430.1	3,333.0
Operating Fixed Assets	180.3	159.5	239.4	411.2
Other Assets	67.0	67.6	108.9	156.7
Total Assets	**1,946.2**	**1,983.8**	**3,371.2**	**4,476.5**
Total Deposits	953.7	1,055.2	2,272.3	3,206.9
Borrowings	300.0	225.0	100.0	310.2
Subordinated Debt	0.0	0.0	0.0	0.0
Other Liabilities	166.5	150.2	241.6	305.0
Tier-1 Equity	525.3	552.7	756.6	653.7
Net Worth	526.0	553.4	757.3	654.5
Paid Up Capital	1,290.2	1,575.2	1,725.2	1,725.2
INCOME STATEMENT	**31-Dec-19**	**31-Dec-20**	**31-Dec-21**	**31-Dec-22**
Net Mark-up Income	393.4	286.3	590.4	875.2
Net Provisioning / (Reversal)	69.0	204.8	74.2	252.5
Non-Markup Income	151.3	60.4	142.2	194.6
Operating Expenses	475.4	398.3	602.0	910.7
Profit Before Tax	0.4	(256)	56.4	(97.7)
Profit after tax	14.9	(258)	53.9	(102.9)
RATIO ANALYSIS	**31-Dec-19**	**31-Dec-20**	**31-Dec-21**	**31-Dec-22**
Gross Infection (%)	5.1%	8.9%	3.1%	5.4%
Incremental Infection (%)	7.9%	12.4%	6.1%	9.2%
Specific Provisioning Coverage (%)	35.9%	40.8%	40.3%	61.4%
Total Provisioning Coverage (%)	53.6%	124.4%	82.2%	78.0%
Net Infection (%)	3.3%	5.5%	1.9%	2.1%
Net NPLs to Tier-1 Capital (%)	7.9%	10.2%	6.1%	11.1%
Capital Adequacy Ratio (%)	31.2%	41.4%	26.1%	15.8%
Markup on earning assets (%)	41.2%	28.6%	36.1%	42.5%
Cost of Funds (%)	13.4%	12.9%	10.1%	14.6%
Markup Spreads (%)	27.8%	15.7%	26.0%	27.9%
OSS (%)	97.8%	82.7%	105.6%	93.9%
ROAA (%)	0.9%	-13.1%	2.0%	-2.6%
ROAE (%)	2.9%	-47.7%	8.2%	-14.6%
Advances to Deposit Ratio	133.1%	101.8%	109.8%	108.5%
Liquid Assets to deposits & borrowings (%)	33.1%	58.2%	22.2%	14.1%

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	**Rating Date**	**Medium to Long Term**	**Short Term**	**Rating Outlook**	**Rating Action**
	RATING TYPE: ENTITY				
	4/28/2023	BBB	A-3	Stable	Downgrade
	4/29/2022	BBB+	A-3	Stable	Reaffirmed
	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**		
	Muhammad Awais Masood	Deputy CEO, CFO & CS	Mar 22, 2023		