RATING REPORT

Advans Pakistan Microfinance Bank Limited

REPORT DATE:
April 30, 2024

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 Action	Maintained		Downgrade	
Rating Outlook	Positive		Stable	
Rating Date	*April 30, 2024*		*April 28, 2023*	

COMPANY INFORMATION

Incorporated in 2012	**External Auditors:** BDO Ebrahim & Co. Chartered Accountants
Public Limited Company	**Chairman of the Board:** Mr. Mounir Ikram Kamal Nakhla
Key Shareholders (with stake 5% or more):	**Chief Executive Officer (Acting):** Mr. Christos Stefano Argyriou
MNT-Halan Pak B.V – 99.99%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Micro-Finance Banks
https://docs.vis.com.pk/docs/MicroFinance-Oct-2023.pdf

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

Advans Pakistan Microfinance Bank Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

Advans Pakistan Microfinance Bank Limited (APMBL) was incorporated in 2012 as a public limited company under Microfinance Institutions Ordinance; 2001. The Institution currently holds a province-specific license, limited to the jurisdiction of Sindh.

MNT–Halan Pak B.V. is a holding company headquartered in the Netherlands, with subsidiaries operating in Pakistan under the names Halan Wallet (Private) Limited and Halan Finance Limited.

Profile of Chairman

Mr. Mounir Nakhla currently chairs the Board of Directors at APMFB. He is the founder and C.E.O. of Halan Mr. Nakhla is well known for his problem-solving, which have well placed Halan to be Africa's fastest growing app.

Profile of C.E.O.

Mr. Christos Stefano Argyriou graduated from The American University in Cairo (AUC), Egypt, with a Bachelor's Degree in Business Administration in June 2006. He possesses extensive experience in the banking sector, as well as in investments, fintech, oil and gas, energy, and retail industries. Before joining

Rating Rationale

Advans Pakistan Microfinance Bank Limited ('APMFB' or the 'Bank'), established in 2012, as a public limited company was granted license by the State Bank of Pakistan (SBP) to operate as a microfinance bank in the province of Sindh. The Bank's principal business is to provide microfinance banking and related services to the poor and underserved segment of the society, as envisaged under the Microfinance Institution Ordinance, 2001. The registered office of the Bank is located in Karachi.

The rating of APMFB takes into account the recent change in the Bank's ownership structure. Formerly, APMFB operated as a subsidiary of Advans S.A. Sicar, which held a significant majority stake in the Bank. However, on 20th March, 2024, MNT Halan Pak B.V. acquired the entire shareholding of APMFB from Advans S.A. Sicar. While changes in ownership can bring potential benefits such as access to fresh funds, expertise, and strategic direction, they also introduce transitional risks and uncertainties. The transition will entail adjustments in governance structures, management practices, and strategic priorities, in addition to a change in corporate identity. The Bank is expected to roll out business on a pan Pakistan level, with fresh equity and new products, particularly in the digital space.

The Bank has demonstrated prudent credit risk management capabilities amid economic uncertainties, as evidenced by relatively sound asset quality. Non-Performing Loans (NPLs) have reduced with a slight improvement in gross infection ratio. Asset quality remains a focal point, with the Bank's predominantly unsecured loan portfolio exposing it to elevated credit risk.. While efforts to introduce risk mitigation strategies, such as transitioning to secured loans backed by gold, are noted, the reliance on unsecured loans necessitates continued vigilance in managing credit risk to prevent further deterioration in asset quality.

Furthermore, the Bank faces profitability challenges stemming from margin compression. Operating expenses have also surged, driven by inflationary pressures and regulatory penalties, resulting in net loss during the review period. Capitalization indicators depict a weakened position, with a decrease in total equity attributed to reported losses. Despite equity injections and stable risk-weighted assets, the Capital Adequacy Ratio (CAR) deteriorated, reflecting strains on capital adequacy amid incurred losses and having fallen below minimum capital requirements by Q1'24.

Overall, while credit risk remains well managed and liquidity levels are sufficient, challenges related to operational efficiency, and profitability warrant monitoring. The rating is contingent on the sponsor's commitment to regularize the breach of minimum equity and CAR requirements as mandated by the State Bank of Pakistan (SBP) by June'24, and to ensure the ongoing viability of the Bank's operations as a going concern.

Auditor's Opinion

BDO Ebrahim & Co. Chartered Accountants has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of December 2023.

Group Profile

Established in 2017 by Mounir Nakhla, MNT–Halan Pak B.V. is a holding company representing a Dutch-Egyptian financial market entity. It offers a range of services including lending, buy now pay later options, e-commerce solutions, payment processing, as well as mobility and on-demand logistics.

Advans Pakistan Microfinance Bank Limited (APMFB) as the acting C.E.O., Mr. Christos served as the Internal Expansion Director at the MNT Investments B.V. Group in Cairo, Egypt. In this role, he led the launch of MNT Halan's first international expansion into Pakistan, demonstrating a deep understanding of the country's microfinance industry. He also possesses wide-ranging experience of micro and small lending businesses in Egypt.

Corporate Profile

Advans Pakistan Microfinance Bank Limited ('APMBL' or the 'Bank') was established in Pakistan on 17th April, 2012, as a publicly listed company under the then applicable Companies Ordinance, 1984 (which has since been replaced by the Companies Act, 2017). The Bank obtained a microfinance operations license from the State Bank of Pakistan (SBP) on 28th June, 2012, allowing it to conduct operation in the province of Sindh. It was issued a certificate of commencement of business by the Securities Exchange Commission of Pakistan (SECP) on 21st November, 2012, and by the SBP on 4th January, 2013. The Bank's principal business is to provide microfinance banking and related services to the poor and underserved segment of the society as envisaged under the Microfinance Institution Ordinance, 2001. The registered office of the Bank is located in Karachi, and it operates through branches across the province of Sindh.

The Bank previously operated as a subsidiary of Advans S.A. Sicar, based in Luxembourg, which held 99.99% of the Bank's share capital (Dec'22: 99.99%). On 4th August, 2023, Advans S.A. Sicar, the former parent company of Advans Pakistan, entered into a share sales agreement with MNT Halan Pak B.V., a company registered in the Netherlands, for the sale of 100% of Advans Pakistan's shares. The SBP approved this arrangement on 23rd October, 2023, resulting in a change of the Bank's parent entity. On 20th March, 2024, MNT Halan Pak B.V. acquired 99.99% shareholding of Advans Pakistan Microfinance Bank Limited.

The Board of Directors (BoD) is composed of a total of 7 members, which includes 4 non-executive directors, including the Chairman of the Board, 2 independent directors, and the Chief Executive Officer (acting CEO) as the only executive director. The Bank's current Chairman and CEO are foreign experts, nominated by the shareholders. Among the 5 newly appointed directors, 4 are foreigners (Egypt nationals), while 1 is a local nominee director. Ms. Yusra Arshad Gillani and Ms. Ayesha Gulzar retain their positions as independent directors on the board.

Moreover, the Bank has appointed new personnel for the roles of Head of Compliance and Chief Risk Officer. Additionally, management has plans to implement a Core Banking System (CBS) which will centralize and integrate a software platform, enabling APMFB to conduct its core banking functions—including deposits, loans, compliance, and Management Information System (MIS) reporting—in a unified manner. The expenses associated with implementing this system will be covered by the parent company.

Name	Designation
Mr. Mounir Ikram Kamal Nakhla	Chairman/ Non-Executive
Mr. Christos Stefano Argyriou	CEO/ Executive Director
Mr. Andreas Valavanis	Non-Executive Director
Mr. Ahmed Mohsen Soliman	Non-Executive Director
Mr. Yasir Hamid	Non-Executive Director
Ms. Yusra Arshad Gillani	Independent Director
Ms. Ayesha Gulzar	Independent Director

For effective oversight, there are four board level committees in place namely; Board Audit Committee (BAC), Board Risk Committee (BRC), Board Remuneration Committee and a Digital Committee. As per best practices, an independent director chairs the Board Audit Committee, Board Risk Committee, and Board Remuneration Committee.

Productivity Analysis

The industry continues to face a high attrition rate among loan officers (LOs). This turnover not only complicates portfolio management but also results in training and skill gaps, placing added strain on existing staff. Similarly, APMFB has observed a decline in the number of Loan Officers (LOs) employed, dropping to 291 in CY23. During the review period, APMFB pursued a consolidation strategy, as evidenced by the stabilization in the number of branches. Moreover, a combination of economic slowdown and elevated benchmark rates has led to a reduction in the number of active borrowers. Consequently, both the LOs per Branch ratio and Active Borrowers per Branch ratio have decreased to 15 (CY22: 16) and 943 (CY22: 1,015), respectively, during CY23.

Going forward, management plans to increase the number of LOs and expand its branch network to support the launch of new products. To assist with this, the Bank has invited a team from Egypt, who are product experts, to study the local market requirements. Their role is to help APMFB manage current products and assess the feasibility of introducing new products based on market dynamics in Pakistan.

	2021	2022	2023
No. of Loan Officers (LOs)	216	317	291
No. of Branches	14	19	19
No. of Active Borrowers	15,163	19,302	17,925
LOs/Branch	15	16	15
Average Loan/LO (In mn.)	11.5	10.9	11.1
Active Borrowers/LO	70	60	61
Active Borrowers/Branch	1,083	1,015	943

Financial Analysis

Credit Risk

<u>Gross Loan Portfolio (GLP)</u>

During the acquisition process and subsequent change in parent company, APMFB adopted a cautious lending strategy, leading to a decrease in loan originations by Dec'23. The Bank's Gross Loan Portfolio (GLP) experienced a decrease, totaling Rs. 3.2 bn (Dec'22: Rs. 3.5 bn) as of Dec'23.
In terms of product distribution, Advans Tijaarat, the Bank's flagship offering, continues to dominate the loan portfolio, comprising 73.0% of total loans (CY22: 74.0%). Additionally, APMFB introduced a new product, Advans Khatoon Tijaraat, in the enterprise loan category during the rating period, aimed at promoting women entrepreneurship and gender equality.

Product-wise PaR (Rs. mn)	Outstanding	Non-Performing	PaR
Advans Tijaarat	2,357.0	144.8	6.1%
Advans Tijaarat Plus	738.7	13.4	1.8%
Advans Tijaarat Minus	0.5	0.0	7.6%
Advans Tijarat Restructure	0.1	0.1	100.0%
Advans Khatoon Tijaraat	7.5	0.2	2.6%
Advans Sona Sarmaya	9.3	-	0.0%
Advans Sona Sarmaya Bullet	85.7	0.1	0.1%
Advans Kissan Bullet	25.6	0.3	1.2%
Advans Kissan Restructure	3.0	0.6	20.8%

Going forward, management has indicated that the Bank will increase its lending activities in CY24, once the restructuring in APMFB's operations is completed. Consequently, it is anticipated that the GLP will reach Rs. 5.0 bn by Dec'24, with further increases expected in the following years.

General Purpose loans, being typically unsecured, carry elevated credit risk. Without collateral, lenders face restricted avenues for recourse in case of borrower default, thus increasing the likelihood of potential losses. With General Purpose loans representing a larger share of APMFB's portfolio in CY23 at 67.0% (CY22: 61.5%), the Bank plans a risk mitigation strategy by providing these loans backed by Gold.

Segments (Rs. mn)	CY21	%	CY22	%	CY23	%
Livestock	207.6	8.3%	163.4	4.7%	40.6	1.3%
Agriculture	56.5	2.3%	104.8	3.0%	37.1	1.1%
Enterprise	745.1	29.9%	1072.1	30.8%	989.1	30.7%
Housing	0.0	0.0%	0.0	0.0%	0.0	0.0%
General Purpose	1,484.8	59.5%	2,138.8	61.5%	2,160.6	67.0%
Total	**2,494**	**100.0%**	**3,479**	**100.0%**	**3,227**	**100.0%**

The bulk of APMFB's loan portfolio consists of unsecured loans, presenting significant credit risk and potentially exposing the portfolio to NPLs in the future. To safeguard against this risk, the Bank should consider transitioning to secured loans to mitigate the current credit risk inherent in the portfolio. All advances are secured by personal guarantees only, except for a small portion secured against gold

Secured/Unsecured (Rs. mn)	CY21	%	CY22	%	CY23	%
Secured	251.3	10.1%	331.2	9.5%	95.0	2.9%
Unsecured	2242.7	89.9%	3147.8	90.5%	3132.4	97.1%
Total	**2,494**	**100.0%**	**3,479**	**100.0%**	**3,227**	**100.0%**

With the exception of Advans Kissan Bullet, all unsecured loan offerings follow a monthly repayment structure. In contrast, secured gold-backed loans offer both EMI and bullet repayment options. Consequently, the portfolio predominantly consists of EMI loans, accounting for approximately 96.5% of the total portfolio compared to 88.9% in CY22.

EMI/Bullet (Rs. mn)	CY21	%	CY22	%	CY23	%
EMI	2235.3	89.6%	3094	88.9%	3113.1	96.5%
Bullet	258.7	10.4%	385	11.1%	114.3	3.5%
Total	**2,494**	**100.0%**	**3,479**	**100.0%**	**3,227**	**100.0%**

In accordance with the Bank's policy, group lending is not practiced to mitigate the credit risk associated with this approach Furthermore, APMFB does not intend to introduce group lending in foreseeable future.

Group/Individual (Rs. mn)	CY21	%	CY22	%	CY23	%
Group	0.0	0.0%	0.0	0.0%	0.0	0.0%
Individual	2494.0	100.0%	3479.0	100.0%	3227.0	100.0%
Total	**2,494**	**100.0%**	**3,479**	**100.0%**	**3,227**	**100.0%**

Asset Quality

Risk of non-performance has reduced, as reflected by a slight reduction in the PaR ratio across the 'Doubtful' and 'Loss' categories, which stood at 2.4% (CY22: 2.9%) and 1.0% (CY22: 1.1%), respectively.

Gross Advances and Portfolio at Risk (PaR)	2022	%	2023	%
Current and Watchlist	3,291.7	-	3,067.8	-
Other assets especially mentioned (OAEM)	19.4	0.6%	22.0	0.7%
Sub-standard	28.0	0.8%	29.3	0.9%
Doubtful	101.9	2.9%	77.5	2.4%
Loss	38.1	1.1%	30.8	1.0%
Total	**3,479.0**	**5.4%**	**3,227.4**	**4.9%**

The NPLs have exhibited a downward trend, declining to Rs. 159.5 mn (Dec'22: Rs. 187.3 mn) as of Dec'23. This has resulted in an improvement in the gross infection ratio to 4.9% (CY22: 5.4%). However, the net infection ratio increased to 2.6% (CY22: 2.1%), attributed to a decrease in specific provisioning, amounting to Rs. 76.8 mn (Dec'22: Rs. 115.0 mn), which resulted from a lower proportion of NPLs classified in 'Doubtful' and 'Loss' categories, with previously classified balances having been written-off and indicating a very high rate of new infection being 8.7% (CY22: 9.2%) in the review period. Specific provisioning coverage ratio declined to 48.1% from 61.4% in the previous year. Moreover, with the combined impact of reduction in core equity, and higher net NPLs, the percentage of net NPLs to Bank's Tier-I capital inched higher to 12.8% (CY22: 11.1%) in CY23.

Asset Quality Indicators (Rs. mn)	2021	2022	2023
Gross Advances	2,494.0	3,479.0	3,227.4
Specific Provisioning	31.3	115.0	76.8
General Provisioning	32.6	31.1	30.6
Net Advances	**2,430.1**	**3,333.0**	**3,120.0**
NPLs	77.7	187.3	159.5
NPLs written off	129.2	170.4	337.7
Tier 1 Equity	756.6	653.7	644.4
Gross Infection	3.1%	5.4%	4.9%
Net Infection	1.9%	2.1%	2.6%
Incremental Infection	6.1%	9.2%	8.7%
Specific Provisioning Coverage	40.2%	61.4%	48.1%
Total Provisioning Coverage	82.2%	78.0%	67.3%

Investment Mix

The investment portfolio increased by Rs. 560.8 mn, amounting to Rs. 707.3 mn (Dec'22: Rs. 146.5 mn) as of Dec'23, with fresh funds primarily channeled into T-bills. Given that the investment portfolio exclusively consists of government securities, the associated credit risk is considered minimal. Additionally, due to the short-term nature of these investments, there is negligible market risk involved.

Liquidity and Leverage

The Liquid Assets to Deposits and Borrowings ratio (LADB) increased to 30.2% (CY22: 14.1%), owing to channeling of new deposit growth in investments and a significant slowdown in credit offtake. APMFB's deposit base witnessed an uptick, reaching Rs. 3.8 bn (Dec'22: Rs. 3.2 bn), while the Advances to Deposits ratio (ADR) dropped to 85.4% (CY22: 108.5%).

Liquidity Indicators (Rs. mn)	2021	2022	2023
Investments	-	146.5	707.3
Cash and balances with SBP and NBP	259.9	327.2	391.1
Balances with other banks and MFBs	267.8	22.8	96.7
Liquid Assets	527.7	496.5	1,195.1
Deposits	2,272.3	3,206.9	3,777.0
Borrowings	100.0	310.2	182.3
Liquid Assets to Deposits and Borrowings (%)	22.2%	14.1%	30.2%
Advances to Deposits (%)	109.8%	108.5%	85.4%
CA (%)	4.0%	3.3%	1.8%
CASA (%)	41.9%	16.1%	25.8%
Liquid Assets/ TA	15.7%	11.1%	24.4%

Individual depositors constitute a larger portion of deposits compared to corporate deposits. However, top-10 depositors' concentration stood at 37.8%, indicating high concentration risk. The Bank's proactive relationship management with large-sized depositors, aimed at anticipating major withdrawals, offers some reassurance.

Deposits (Rs. mn)	2021	%	2022	%	2023	%
Individual Depositors	1,628.3	71.7%	2,427.0	75.7%	2,856.3	75.6%
Corporations/Firms	643.9	28.3%	779.8	24.3%	920.7	24.4%
Total Deposits	**2,272.3**		**3,206.8**		**3,777.0**	

Growth in deposits was primarily driven by increase in fixed and savings deposits, which collectively accounted for 98.4% of the overall deposit mix, up from 96.7% in the previous year. Term deposits, assist the Bank in managing its asset-liability maturity mismatches, thereby reducing the risk of funding shortfalls that may arise from overreliance on short-term CASA deposits to fund long-term assets. However, the cost of funding will be negatively impacted, leading to pressure on spreads, as fixed deposits typically carry higher markup charges.

Deposits (Rs. mn)	2021	%	2022	%	2023	%
Fixed Deposits	1,319.3	58.1%	2,689.2	83.9%	2,803.7	74.2%
Saving Deposits	861.6	37.9%	410.3	12.8%	906.3	24.2%
Current Deposits	91.3	4.0%	107.3	3.3%	67.0	1.8%
Total Deposits	**2,272.3**		**3,206.8**		**3,777.0**	

As of Dec'23, APMFB's borrowings reduced to Rs. 182.3 mn (Dec'22: Rs. 310.2 mn). Liquid reserves and portfolio inflows are sufficient to meet obligations as they become due; liquidity reserves are likely to be able to avert any material calls on liquidity. As a provincial bank, access to fresh liquidity is limited.

Profitability

The total markup earned increased to Rs. 1.7 bn (CY22: Rs. 1.3 bn), driven by a higher yield on earning assets at 47.1% (CY22: 42.5%), attributable to the prevailing elevated benchmark rate. However, the cost of funding also rose to 22.6% (CY22: 14.6%), on the same account. Spread compression and inflationary pressures on administrative expenses, has resulted in losses having increased further in CY23. Provisions have also contributed to overall losses with charge-offs being higher than previous year.

Markup Income (Rs. mn)	2021	%	2022	%	2023	%
Advances	749.4	96.7%	1,266.3	96.7%	1,624.4	94.1%
Government Securities - Treasury Bills	12.5	1.6%	20.4	1.6%	71.1	4.1%
Deposit accounts and term deposits	13.1	1.7%	19.1	1.7%	31.2	1.8%
Total markup earned	**775.0**		**1,305.8**		**1,726.7**	

Despite slight growth in recurring non-markup income, primarily due to a rise in loan processing fees, the Operational Self Sufficiency Ratio (OSS) deteriorated to 85.9% from 106.6% in the previous year, reflecting a deficit of recurring income over expenses. Consequently, the Bank reported a net loss of Rs. 329.9 mn during the period under review.

Starting CY24, management has implemented IFRS-9, resulting in an approximate increase of Rs. 100.0 mn in the Expected Credit Loss (ECL) allowance. Consequently, losses are likely to persist, although further weakening in profitability is not expected if capital is raised by mid-year, and a turnaround expected by end 2025.

Income Statement (Rs. mn)	2021	2022	2023
Return on Markup Bearing Assets	*36.1%*	*42.5%*	*47.1%*
Cost of Funds	*10.1%*	*14.6%*	*22.6%*
Spreads	**26.0%**	**27.9%**	**24.5%**
Net Markup Income	590.4	875.2	882.7
Provisions	(74.2)	(256.8)	(299.3)
Fee Income	110.9	165.6	191.3
Other Income	31.3	29.0	55.5
Administrative Expenses	(600.5)	(909.5)	(1,143.1)
Other Expenses	(1.5)	(1.2)	(10.9)
Pre-tax profit/(loss)	**56.4**	**(97.7)**	**(323.9)**
Post-tax profit/(loss)	**53.9**	**(102.9)**	**(329.9)**

Capitalization

The total equity base of the Bank decreased to Rs. 645.1 mn (Dec'22: Rs. 654.5 mn) as of Dec'23, on account of net loss reported during the previous two years, and is as such below minimum capital requirement. In spite of equity injection of Rs. 320.5 mn by the Bank's former parent company, Advans S.A. Sicar (based in Luxembourg) in CY23, and Risk Weighted Assets (RWAs) remaining stable at Rs. 3.8 bn, as of Dec'23, the Capital Adequacy Ratio (CAR) deteriorated to 15.3% (CY22: 16.3%) by year-end.

Following further losses incurred during 1QCY24, APMFB is also non-compliant with CAR regulations as of Mar'24. The shareholders have announced plans for an equity injection from the sponsor group, anticipated to range between Rs. 1.0 bn and Rs. 1.5 bn by Jun'24. We expect this infusion of capital to be sufficient to restore capital levels above requirements and allow the Bank to pursue expansion.

Capitalization Indicators (Rs. mn)	2021	2022	2023
Share Capital	1,725.2	1,725.2	2,045.7
Reserves	17.2	17.8	21.8
Accumulated losses	(985.8)	(1,089.2)	(1,423.1)
Tier 1 Equity	**756.6**	**653.7**	**644.4**
Deferred Grant	0.7	0.7	0.7
Total Equity	**757.3**	**654.5**	**645.1**

Advans Pakistan Microfinance Bank Limited — Appendix I

FINANCIAL SUMMARY			*(amounts in PKR millions)*
BALANCE SHEET	**31-Dec-21**	**31-Dec-22**	**31-Dec-23**
Cash and Bank Balances with SBP and NBP	259.9	327.2	391.1
Balances with other Banks and/NBFIs/MFBs	267.8	22.8	96.7
Lending to Financial Institutions	0.0	0.0	0.0
Total Investments	0.0	146.5	707.3
Net Advances	2,430.1	3,333.0	3,120.0
Operating Fixed Assets	239.4	411.2	367.4
Other Assets	108.9	156.7	125.4
Total Assets	**3,371.2**	**4,476.5**	**4,905.7**
Total Deposits	2,272.3	3,206.9	3,777.0
Borrowings	100.0	310.2	182.3
Subordinated Debt	0.0	0.0	0.0
Other Liabilities	241.6	305.0	301.3
Tier-1 Equity	756.6	653.7	644.4
Net Worth	757.3	654.5	645.1
Paid Up Capital	1,725.2	1,725.2	2,045.7
INCOME STATEMENT	**CY21**	**CY22**	**CY23**
Net Mark-up Income	590.4	875.2	882.7
Net Provisioning / (Reversal)	74.2	252.5	299.0
Non-Markup Income	142.2	194.6	246.7
Operating Expenses	602.0	910.7	1,154.0
Profit Before Tax	56.4	(97.7)	(323.9)
Profit after tax	53.9	(102.9)	(329.9)
RATIO ANALYSIS	**CY21**	**CY22**	**CY23**
Gross Infection (%)	3.1%	5.4%	4.9%
Incremental Infection (%)	6.1%	9.2%	8.7%
Specific Provisioning Coverage (%)	40.2%	61.4%	48.1%
Total Provisioning Coverage (%)	82.2%	78.0%	67.3%
Net Infection (%)	1.9%	2.1%	2.6%
Net NPLs to Tier-1 Capital (%)	6.1%	11.1%	12.8%
Capital Adequacy Ratio (%)	26.1%	16.3%	15.3%
Markup on earning assets (%)	36.1%	42.5%	47.1%
Cost of Funds (%)	10.1%	14.6%	22.6%
Markup Spreads (%)	26.0%	27.9%	24.5%
OSS (%)	106.6%	93.9%	85.9%
ROAA (%)	2.0%	-2.6%	-7.0%
ROAE (%)	8.2%	-14.6%	-50.8%
Advances to Deposit Ratio	109.8%	108.5%	85.4%
Liquid Assets to Deposits & Borrowings (%)	22.2%	14.1%	30.2%

REGULATORYDISCLOSURES					**Appendix II**
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				
	4/30/2024	BBB	A-3	Positive	Maintained
	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**		
	Mr. Kaleem Raza	CFO & Company Secretary	22nd April 2024		