

ایڈوانز پاکستان مائیکرو فنانس لینڈ کے ڈائریکٹرز اور ممبران کی رپورٹ

ہمیں خوشی ہے کہ بورڈ آف ڈائریکٹرز کی جانب سے، ۳۱ دسمبر ۲۰۲۲ کو ختم ہونے والے سال کے لیے بینک کے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ اس پر آڈیٹرز کی رپورٹ بھی پیش کی گئی۔

اقتصادی جائزہ

جغرافیائی سیاسی تناؤ، سخت مالی حالات اور بڑھتی ہوئی افراط زر، ان سب کا ترقی کی توقعات پر کافی منفی اثر پڑا، جس سے عالمی اقتصادی ماحول کے لیے شدید چیلنجز پیدا ہوئے اور پاکستان بھی اس سے مستثنیٰ نہیں ہے۔ مزید برآں، ۲۰۲۲ کی تیسری سہ ماہی میں بارشوں اور سیلاب نے پاکستان کے لیے حالات کو مزید خراب کر دیا۔

حکومت پاکستان نے اندرونی اور بیرونی قوتوں کی طرف سے لاحق معاشی مسائل سے نمٹنے کے لیے سخت مالی اور مالیاتی پالیسیاں اپنائی ہیں، جس کے نتیجے میں رعایت کی شرح گزشتہ سال ۹.۷۵ فیصد سے بڑھا کر ۱۶ فیصد کر دی گئی۔ فی الحال، حکومت کو معاشرے کے کمزور طبقات کی مدد کرنے اور دیگر عوامی اخراجات کی ضروریات کو پورا کرنے میں مشکلات سامنا ہے، خاص طور پر، بڑھتی ہوئی سود کی شرح۔ مالی سال ۲۳ میں، مالیاتی ایڈجسٹمنٹ اور مانیٹری سختی سے ملکی طلب کو مزید دبانے کی توقع ہے۔ روپے کی قدر میں کمی سے اعلیٰ درآمدی قیمتوں کی وجہ سے پیدا ہونے والی صلاحیت اور ان رکاوٹوں کے ساتھ طلب میں کمی صنعت کی پیداوار کو کم کرے گی۔

تاہم، محتاط اخراجات کے انتظام اور مؤثر گھریلو وسائل کو متحرک کرنے کی وجہ سے، مالیاتی خسارہ نہ صرف گزشتہ سال کے جی ڈی پی کے ۱.۴ فیصد کی اسی سطح تک محدود رہا بلکہ مالی سال کے پہلے پانچ مہینوں کے دوران بنیادی توازن سرپلس کو بھی برقرار رکھا گیا۔

پاکستان کا کرنٹ اکاؤنٹ خسارہ (کے ڈی اے) جنوری ۲۰۲۳ میں کم ہو کر ۰.۲ بلین ڈالر رہ گیا، جو کہ پچھلے سال کے مقابلے میں ۹۰ فیصد کم ہے کیونکہ روپے کی قدر میں کمی نے درآمدات کو کم کر دیا۔ رواں مالی سال کے پہلے سات مہینوں کے دوران ملک کا کرنٹ اکاؤنٹ خسارہ ۶۷ فیصد کم ہو کر ۳.۸ بلین ڈالر ہو گیا، جو کہ گزشتہ سال کی اسی مدت کے دوران ۱۱.۶ بلین ڈالر کا خسارہ تھا۔ جنوری ۲۰۲۳ میں تجارتی خسارہ ۲۲.۷۱ فیصد کم ہو کر ۲.۶۴ بلین ڈالر ہو گیا جب کہ جنوری ۲۰۲۲ میں ۳.۴۲ بلین ڈالر تھا۔

پاکستان ورکرز کی ترسیلات زر کا ڈیٹا جنوری ۲۰۲۳ میں ۱.۸۹۴ بلین ڈالر تھا۔ یہ دسمبر ۲۰۲۲ کے لیے ۲.۱۰۲ بلین ڈالر کے پچھلے ریکارڈ میں اضافہ CPI جنوری ۲۰۲۲ کے مقابلے میں ۲۷.۵۵ فیصد تک بڑھ گیا۔ شہری CPI سے کم ہے۔ جنوری ۲۰۲۳ کے مہینے کے لیے میں ۳۲.۲۶٪ کا اضافہ ریکارڈ کیا گیا۔ مئی ۱۹۷۵ کے بعد یہ سب سے زیادہ پڑھنا تھا، کیونکہ CPI ریکارڈ کیا گیا۔ ۲۴.۳۸٪ جبکہ دیہی نقدی کی تنگی کا شکار حکومت کی جانب سے درآمدات میں کمی کے بعد کھانے پینے کی اشیاء، خام مال اور آلات کے ہزاروں کنٹینرز بندرگاہوں میں پھنس گئے ہیں۔

بیرونی قرضوں کی ادائیگیوں کی وجہ سے پاکستان میں زرمبادلہ کے ذخائر فروری ۲۰۲۳ میں کم ہو کر ۸.۷۰۲۲ بلین ڈالر (کمرشل بینکوں سمیت) ہو گئے جو دسمبر ۲۰۲۲ میں ۱۰.۸۴۵۲ بلین تھے۔ پاکستان قرضہ پروگرام کو دوبارہ شروع کرنے کے لیے آئی ایم ایف کے ساتھ مصروف عمل ہے تاہم آئی ایم ایف نے پروگرام کو دوبارہ شروع کرنے کے لیے سخت شرائط درج کر رکھی ہیں۔

مالی سال کے پہلے سات مہینوں کے دوران کل غیر ملکی نجی سرمایہ کاری ۲۷ فیصد کی کمی سے ۰.۶۶۹۵ بلین ڈالر تک پہنچ گئی جو گزشتہ مالی سال کے اسی عرصے میں ۰.۹۱۷ بلین ڈالر تھی۔ جولائی تا جنوری ۲۰۲۲-۲۰۲۳ کے دوران پورٹ فولیو سرمایہ کاری میں ۰.۰۱۳ بلین ڈالر کا اخراج تھا جبکہ گزشتہ مالی سال کی اسی مدت میں ۰.۳۰۷۶ بلین ڈالر کا اخراج تھا۔

آپریٹل جائزہ

ایڈوانس پاکستان مائیکرو فنانس بینک لمیٹڈ (اے پی ایم بی ایل) کو اسٹیٹ بینک آف پاکستان نے صوبہ سندھ میں مائیکرو فنانس بینک کے طور پر کام کرنے، مائیکرو فنانس خدمات فراہم کرنے، عوام سے ڈپازٹس کو متحرک کرنے اور غریب افراد اور مائیکرو انٹرپرائزز کو قرض فراہم کرنے کا لائسنس دیا ہے۔

آپریٹل کارکردگی کے لحاظ سے، ۲۰۲۲ کا آغاز بینک نے مسلسل ترقی اور ۵ نئی شاخوں کو شامل کر کے اپنی رسائی کو بڑھانے کے ساتھ سال بھر میں ۳.۲۶% PAR 30 کیا۔ تاہم، جولائی کے بعد سے سیلاب اور بارش نے بینک کی مثبت رفتار کو توڑ دیا۔ اس کے نتیجے میں سے ۵.۴۴% تک اضافہ ہوا، اکتوبر میں ۶.۱۳% کی ساتھ خطرے کی سطح اور آپریٹنگ اخراجات میں اضافہ، بنیادی طور پر بہت زیادہ افراط زر کی وجہ سے، مجموعی منافع بخش پہلی ششماہی کو خسارے کے سال میں تبدیل کر دیا۔ اس کے نتیجے میں پی ایم آئی سی ایل کے ساتھ مالیاتی عہد کی خلاف ورزی ہوئی، تاہم اس سلسلے میں ایک درخواست پی ایم آئی سی ایل کو بھیجا گیا، ہمیں یقین ہے کہ پی ایم سی آئی ایل اس درخواست پر احسن طریقے سے غور کرے گا کیونکہ نقصان بنیادی طور پر قدرتی آفت کی وجہ سے ہوا تھا۔ ایک مشکل سال کے باوجود ایڈوانس پاکستان اپنے قرض کے پورٹ فولیو میں ۱۳۰ فیصد اضافہ کرنے میں کامیاب رہا اور اس نے اپنے پورٹ فولیو کے معیار پر محدود اثرات کے ساتھ ایک بڑی موسمی آفت کا مقابلہ کرتے ہوئے بیرونی جھٹکوں کے خلاف اپنی چلک کو ثابت کیا۔ اسٹیٹ بینک نے ایڈوانس لاکھ تک بڑھانے اور پروڈنشل ریگولیشنز میں طے شدہ انٹرپرائزز ریشو کی حد ۴۰% سے بڑھا کر ۱۰ PKR سے پاکستان کی قرض کی حد ۵۰۰ کے کر ۷۰% کرنے کی درخواست منظور کر لی۔ بورڈ کا خیال ہے کہ مذکورہ منظوری سے مجموعی کاروبار اور پاکستان میں مالیاتی شمولیت میں تعاون پر اہم مثبت اثر پڑے گا۔ اس سلسلے میں سی آر اوز کا اس قسم کے قرضوں کی تقسیم کا تربیتی پروگرام مکمل کر لیا گیا۔

میں ۲۰۲۲ کے آخر ۳۰ پی کے آر صرف ۸۰ ملین ۹۷۰-۹۷۰ پی کے آر بلین کا پورٹ فولیو متاثر ہوا جس میں سے پی کے آر سیلاب کی وجہ سے ملین کے زرعی پورٹ فولیو کی تشکیل نو کی گئی۔ ۲۰۲۲ کے آخر میں کووڈ سے متاثرہ 20.68 پی کے آر تک رہ گیا۔ سیلاب کی وجہ سے ملین 9.3 پی کے آر کے ریلیف پروگرام کے تحت ری اسٹرکچر کیے گئے لون پورٹ فولیو کو کم کر کے صرف ایس بی پی کاروباروں کے لیے کر دیا گیا۔ مزید یہ کہ سال کے دوران معاف کیے گئے قرضوں کی رقم ۱۷۴ ملین روپے تھی، جس کی بنیادی وجہ کلائنٹس کے کاروبار پر بارشوں اور سیلاب کے اثرات تھے۔

دوران ۲۲۰۲ قرض دہندگان کو ۴۳۵۷۷ ملین کی ادائیگیاں کی گئیں، جس سے ۱۳ سمبر ۲۲۰۲ کو مجموعی پورٹ فولیو ۳۴۷۹۹ ملین ہو گیا۔ بینک اپنے بلین تک پہنچانے میں کامیاب رہا جو کہ ایک سال کے دوران PKR 3.20 بلین سے بڑھا کر PKR 2.27 ڈپازٹ پورٹ فولیو کو ایک ارب ۲۰ کروڑ روپے ہے۔ ۱۴۱ فیصد۔ یہ نوٹ کرنا مناسب ہے کہ سال کے لیے لیکویڈٹی کی زیادہ تر ضرورت ڈپازٹ موبلائزیشن ملین کی PKR 300 کی جانب سے ۲۰۰ ملین روپے کی ٹرم فنانسنگ، PMICL سے پوری کی گئی۔ یہ بات بھی قابل ذکر ہے کہ ملین ٹرم فنانسنگ PKR 200 ۲۰۲۲ منظور شدہ حد سے، سال کے دوران تقسیم کی گئی تھی۔ حبیب میٹرو پولیٹن بینک لمیٹڈ سے مزید کے ساتھ انکون فن میں منظور کی گئی تھی اور جنوری ۲۰۲۳ میں تقسیم کی گئی تھی۔ ۲ ملین امریکی ڈالر کے لیے ایک بین الاقوامی قرض دہندہ بات چیت آخری مراحل میں ہے جو ۲۰۲۳ میں مکمل ہونے کی امید ہے۔

۲۰۱۶ کے بی سی اور سی پی ڈی سرکلر نمبر ۱ کی ضرورت کے مطابق شکایت سے نمٹنے کے سلسلے میں کارکردگی کے بارے میں انکشاف اس رپورٹ کے ساتھ ضمیمہ ۱ کے طور پر منسلک ہے۔

کمپنی کے کاروبار کی نوعیت اور اس کے آپریشنز کی جسامت اور پیچیدگی کے مطابق کافی اندرونی کنٹرول سسٹم موجود ہیں جو تسلی بخش طریقے سے کام کر رہے ہیں۔ پالیسیوں اور طریقہ کار پر مشتمل اندرونی کنٹرول سسٹم مالیاتی رپورٹنگ کی دشواریوں، آپریشنل اہداف کے حصول پر بروقت فیڈ بیک، پالیسیوں، طریقہ کار، قابل اطلاق قوانین اور ضوابط کی تعمیل کو یقینی بنانے کے لیے بنائے گئے ہیں۔

مالیاتی جائزہ

ملین) کا نقصان ہوا جو مذکورہ وجوہات کی وجہ سے 53.889 PKR ملین (۲۰۲۱: منافع 105.12 PKR بینک کو سال ۲۰۲۲ کے دوران سے ہے۔

ملین 19.07 PKR ملین) تھی جس میں سے 774.97 PKR: ملین (۲۰۲۱) 1,305.79 PKR سال کے دوران سود کی آمدنی ملین کے قرض کے پورٹ فولیو سے کمائی 1,269 PKR (۰.۳۶% سود حاصل کی گئی) دوسرے بینکوں میں جمع کرائے گئے، جبکہ ملین: ۱۵۶% سود کی آمدنی) 20.39 PKR (۲۰۲۱) اکاؤنٹس ۱,۲۶۹.۳۳۳۔ کل سود کا % بینک نے سرمایہ کاری سے ملین (۱۶۰% سود کی آمدنی) بھی حاصل کی۔ سال کے نقصان کا حساب کتاب کرنے کے بعد، بینک کی خالص ایکویٹی 12.46 ملین) تک کم ہو گئی۔ ۳۱ دسمبر ۲۰۲۲ کو ختم ہونے والے سال کے لیے فی شیئر نقصان 756.61 PKR: ملین (۲۰۲۱) 651.48 ملین (۰.۶۱) (۲۰۲۱: منافع ۰.۳۲) تھا۔

بینک نے اضافی ۱۳-۱۳ پی کے آر ملین (۱۲۰۲-۸۲ پی کے آر ملین) ڈیفریڈ ٹیکس اثاثہ (ڈی ٹی اے) کو تسلیم کیا ہے جو کل ۲۲-۸۷ پی کے آر ملین (۱۲۰۲) ۸-۵۶ پی کے آر ملین) ہو گیا ہے۔ تسلیم شدہ ڈی ٹی اے ۳۱ دسمبر ۲۰۲۲ تک غیر جذب شدہ ٹیکس کی قدر میں کمی اور امور ٹرانزیکشن سے متعلق ہے۔ موجودہ ٹیکس قوانین کے مطابق غیر جذب شدہ ٹیکس فرسودگی اور معافی کے سلسلے میں ٹیکس فائدہ کا دعویٰ کرنے کے لیے کوئی وقت کی حد نہیں ہے۔ موخر ٹیکس اثاثہ بینک کے مالی تخمینوں کی بنیاد پر ریکارڈ کیا گیا ہے۔

کم از کم سرمائے کی ضرورت

ملین تک کم ہو گئی۔ اگرچہ کم از کم 651 PKR ملین کے نقصان کے ساتھ بند ہوا جس کے نتیجے میں ایکویٹی 112 PKR سال ۲۰۲۲ ایکویٹی کی ضرورت کے لحاظ سے کافی کشن دستیاب ہے، تاہم، کیپٹل ایڈیکمیسی ریشو کے لیے، زیادہ کشن دستیاب نہیں ہے۔ ایڈوانس پاکستان کو سپورٹ کرنے کے لیے گروپ کی جانب سے ۲۰۲۲ کے لیے فراہم کردہ انفارمیشن سسٹم کی سپورٹ بیٹیننس کے چارجز معاف کر دیے گئے، مزید ۲۰۲۱ کے مالیاتی نتائج کی بنیاد پر شیئر ہولڈرز کی جانب سے منظور کیے گئے ڈیویڈنڈ کو بھی دسمبر میں منعقدہ ای او جی ایم میں محفوظ کیا گیا۔ ۲۰۲۲-دسمبر میں اسٹیٹ بینک نے سرمایہ کاروں کو ایڈوانس پاکستان کی مستعدی کے لیے منظوری دی، ہم توقع کرتے کا مسئلہ حل ہو CAR ہیں کہ یہ لین دین ۲۰۲۳ کی دوسری سہ ماہی میں مکمل ہو جائے گا اور اس ٹرانزیکشن کے اختتام کے ساتھ ہی جائے گا اور ایڈوانس پاکستان کے لیے راہ ہموار ہو جائے گی۔ قومی لائسنس کے لیے درخواست دیں۔

مستقبل کا آؤٹ لک

۲۰۲۳ واقع ہے کہ ایک مشکل سال ہوگا کیونکہ سیلاب کے بعد کی صورتحال اور بلند افراط زر معیشت کو متاثر کرے گا، تاہم، کاروباری فنائنگ کے لیے سازگار ضوابط ایڈوانس پاکستان کے حق میں ہوں گے۔ مزید برآں، مائیکرو فنانس کی صنعت کو اب بھی کووڈ کے بعد کی ہنگامہ آرائیوں کا سامنا ہے کیونکہ اس شعبے میں آپریشنل اور مالی طور پر اثرات مرتب ہونا شروع ہو گئے ہیں۔ حالیہ سیلاب کے اثرات زرعی پورٹ فولیو پر بڑے پیمانے پر ہونے کی توقع ہے۔ مزید یہ کہ یہ شعبہ اب بھی چھوٹے کاروباری طبقے پر توجہ نہیں دے رہا ہے۔ مزید برآں، بگڑتی ہوئی معاشی صورتحال کی وجہ سے صنعت کی توجہ سونے کی مصنوعات پر بڑھنے کی توقع ہے۔

ایڈوانس پاکستان جلد از جلد نئے تنقیدی ساز تک پہنچ کر آپریشن اور مالیاتی کارکردگی کو بحال کرنے کی کوشش کرے گا، بنیادی طور پر اوپر کی طرف بڑھنے اور خطرے میں کمی پر توجہ دے کر۔ تاہم، بڑی رکاوٹ معاشی حالات کے بگڑتے ہوئے کلائنٹس کی ادائیگی کی صلاحیتوں کو متاثر کرنے سے آئے گی۔ ایک مشکل سال سے واپس آتے ہوئے، مقصد آپریشنل خود کفالت کو بحال کرنا اور سال کے لیے کی پیداواری صلاحیت کو ۵.۵ CROs مقرر کردہ کلیدی آپریشنل ہدف کو حاصل کرنا ہوگا۔ ۲۰۲۳ کے لیے ان اہم آپریشنل اہداف میں سے ۸ ماہانہ ادا کیے جانے والے قرضوں میں اضافہ، ۳.۳۸ فیصد خطرے کی لاگت اور ۲۰۲۲ کے مقابلے میں ۲۲۶ فیصد تک معاف کیے گئے قرضوں کی وصولی میں اضافہ شامل ہے۔ ۲۰۲۳ کے لیے نئی برانچ کھولنے کا کوئی منصوبہ نہیں ہے۔

ڈپازٹ پر ۳۹ فیصد کی نمو کی منصوبہ بندی کی گئی ہے نیز لیویڈیٹی کی زیادہ تر ضروریات ڈپازٹس سے پوری ہوگی۔ ایچ آر کے اہم مقاصد میں ایکسکوم کی تعیناتی ریکوری ٹیم کا عملہ سی اور آبادی کا استحکام اور ۲۰۲۳ کی توسیع کی تیاری پر توجہ مرکوز کرنے والی نگرانی اور ٹیلنٹ مینجمنٹ کو تقویت دینا شامل ہے۔ ۲۰۲۳ میں قرض اور ڈپازٹ پورٹ فولیو میں نمایاں اضافہ متوقع ہے جو کہ سال کے آخر تک ۸-۱۲ پی کے ارب بلین اور ۶-۱۳ پی کے ارب بلین تک پہنچ جائے گا۔

پیرنٹ کمپنی

۱۳ دسمبر ۲۰۲۲ تک ایڈسنس ایس اے ایس ائی سی اے آر کے پاس اے پی ایم بی ایل کے ۹۹۹۹-۹۹۹۹ فی صد شیئرز ہیں۔ ایڈوانس کو لکسمبرک میں اس کا آپریٹنگ ہیڈ کوارٹر پیرس میں شامل کیا گیا ہے۔

ادا شدہ سرمایہ

۱۳ دسمبر ۲۰۲۲ تک بینک کا ادا شدہ سرمایہ ۳.۱۷ ارب کے آر بلین ہے۔

بورڈ آف ڈائریکٹرز:

۲۰۲۲ ڈائریکٹرز کے انتخاب کا سال تھا۔ جہاں ۹۲ مارچ ۲۰۲۲ کو ہونے والی اے جی ایم میں تمام ڈائریکٹرز کو تین مدت کے لیے دوبارہ منتخب کیا گیا تھا۔ سی ای او کا مزید تین سالہ معاہدہ اس سال کے دوران ختم ہو گیا تھا جس کی بورڈ نے تجدید کی تھی۔ اگلے تین سال

اس مدت کے دوران، اے پی ایم بی ایل کے بورڈ میں درج ذیل موجود تھے

- Mr. Claude FALGON - Chairman
- Mr. Steven DUCHATELLE - Director
- Mr. Eelko BRONKHORST – Director
- Mr. Emmanuel ARIS – Director
- Ms. Isabelle MONTFORT - Director
- Ms. Yusra Arshad GILANI - Independent Director
- Ms. Aeysha GULZAR – Independent Director
- Mr. Guillaume VALENCE – Chief Executive Officer

محترمہ اساتیل مونتفورت نے ۱۶ دسمبر ۲۰۲۲ کو بارڈ آف ڈائریکٹرز سے اپنا استعفیٰ جمع کرایا اور بورڈ کی منظوری کے بعد مسٹر گیولوم ویلانس کی طرف سے بھری ہوئی اسامی کو اسٹیٹ بینک کی منظور شدہ مشروط کیا گیا۔ واضح رہے کہ اسٹیٹ بینک کی جانب سے ایف پی ٹی کی منظوری کے بعد وہ ایگریز کیٹو ڈائریکٹرز کے عہدے پر فائز ہو گئے۔

سال کے لیے ڈائریکٹرز کی حاضری درج ذیل ہے

Sr. No.	Name of Director	07 MAR	12 APR	29 APR	05 JUL	30 AUG	19 SEPT	16 DEC
1	Dr. Claude FALGON	P	P	P	P	P	P	P
2	Mr. Steven DUCHATELLE	P	P	P	P	L	P	P
3	Mr. Eelko BRONKHORST	L	P	P	P	L	P	P
4	Ms. Isabelle MONTFORT	P	P	P	L	L	L	L
5	Mr. Emmanuel ARIS	P	P	P	P	P	P	P
6	Ms. Yusra A. GILANI	P	P	P	P	P	P	P
7	Ms. Aeyesha GULZAR	P	P	P	P	P	P	P
8	Mr. Guillaume VALENCE	P	P	P	P	P	P	P

بورڈ کمیٹیوں کی تفصیل درج ذیل ہے

Description	Audit Committee	HR & Compensation Committee	Risk Committee	Remuneration Committee
Chairperson	Ms. Aeyesha GULZAR	Ms. Yusra A GILANI	Ms. Yusra A GILANI	Dr. Claude FALGON
Member	Mr. Emmanuel ARIS	Mr. Steven DUCHATELLE	Dr. Claude FALGON	Mr. Emmanuel ARIS
Member	Ms. Yusra A GILANI	Mr. Eelko BRONKHORST	Mr. Emmanuel ARIS	Ms. Yusra A GILANI
Member		Ms. Aeyesha GULZAR		Ms. Aeyesha GULZAR

بورڈ کے لیے کارکردگی کی تشخیص کا طریقہ کار

بورڈ آف ڈائریکٹرز، ریگولیٹری تعمیل کو یقینی بنانے کے ساتھ ساتھ، شیئر ہولڈرز کی جانب سے بینک کے مفادات کے تحفظ، اسٹریٹجک سمت کے SBP فراہم کرنے اور اسٹریٹجک مقاصد کے نفاذ کی نگرانی کے لیے باضابطہ ذمہ داری بھی عائد کرتا ہے۔ کمپنیز ایکٹ ۲۰۱۷ اور پروڈنشل ریگولیشنز بورڈ آف ڈائریکٹرز کے کردار کے ساتھ ساتھ اس کی ذمہ داریوں اور افعال کو بھی بیان کرتے ہیں۔ ۲۰۱۹ کے سرکلر نمبر ۰۲ کی تعمیل میں، ۲۰۱۹ میں بورڈ کے معاوضے کی کمیٹی تشکیل دی گئی تھی جس نے بعد میں بورڈ آف AC&MFD ڈائریکٹرز کی تشخیص کے لیے ایک موثر طریقہ کار تیار کیا اور نافذ کیا۔

بورڈ آف ڈائریکٹرز نے تشخیص کے لیے مقداری تکنیک کے ساتھ اندرون خانہ نقطہ نظر کا انتخاب کرنے کا فیصلہ کیا۔ منظور شدہ طریقہ کار کے مطابق، درج ذیل زمروں کی کارکردگی کا جائزہ لیا جاتا ہے۔

۱۔ بورڈ کی سرگرمی

۲۔ بورڈ آرگنائزیشن

۳۔ بورڈ میٹنگ

۴۔ بورڈ کی رکنیت

۵۔ مینجمنٹ سپورٹ

مذکورہ بالا زمروں میں سے ہر ایک پر ڈائریکٹرز کے جوابات اور آراء کو کمپنی سیکرٹری کے ساتھ مرتب اور یکجا کیا جاتا ہے۔ بورڈ کے اجلاس میں نتائج پر تبادلہ خیال کیا جاتا ہے۔ یہ نتائج شیئر ہولڈرز کی سالانہ جنرل میٹنگ میں بھی پیش کیے جاتے ہیں۔ بورڈ آف ڈائریکٹرز نے اپنی ۰۶ مارچ ۲۰۲۳ کی میٹنگ میں سال ۲۰۲۲ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کے نتائج کو نوٹ کیا اور نتائج پر اپنے اطمینان کا اظہار کیا۔

کرڈٹ ریٹنگ:

ایس آئی وی۔ جے سی آر کرڈٹ ریٹنگ کمپنی لمیٹڈ نے ۲۰۲۲ میں مستحکم آؤٹ لک کے ساتھ بینک کو طویل مدتی بی بی بی پلس اور قلیل مدتی اے ۳ کی درجہ بندی کی توثیق کی ہے۔

منتقلی کی قیمت

متعلقہ فریقین کے ساتھ مالی سال کے دوران کیے گئے تمام لین دین رعایتی نرخوں پر یا مفت تھے، جیسا کہ بینک کے بہترین مفاد میں قابل قبول تھا۔

آڈیٹرز:

اے ایف فرگوسن کمپنی چارٹرڈ اکاؤنٹنٹ (پی ڈبلیو سی کی ایک ممبر فرم) بطور قانونی آڈیٹرز ۵ سال مکمل کرنے کے بعد ۲۰۲۲ میں بی بی ڈی او ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے تبدیل کر دیا تھا۔ یہ نئے آڈیٹرز ۲۹ مارچ ۲۰۲۲ کو ہونے والی اے جی ام میں حصص یافتگان کی طرف سے مقرر کیے گئے تھے۔

شیئر ہولڈنگ کا نمونہ

کمپنیز ایکٹ ۲۰۱۷ کے سیکشن ۲۲۷ کے تحت ۳۱ دسمبر ۲۰۲۲ کو بینک کے شیئر ہولڈنگ کا پیٹرن حسب ذیل ہے

ٹوٹل شیئر ہولڈنگ	شیئر ہولڈنگ	شیئر ہولڈنگ	نمبر شیئر ہولڈرز
2	100	1	2
172,516,308	172,516,500	172,516,000	1
172,516,310	ٹوٹل		

شیئر ہولڈرز کے زمرے

فی صد	حصص رکھے گئے	نمبر	نام
0.00%	2	2	Director(s)
100%	172,516,308	1	Corporate Entity

اعتراف

ہم اس موقع کو اپنے قابل قدر کلائنٹس، شیئر ہولڈرز اور دیگر اسٹیک ہولڈرز کی سرپرستی اور اعتماد اور ہماری انتظامیہ اور ملازمین کا ان کی لگن اور محنت پر شکریہ ادا کرنا چاہیں گے۔

ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا بھی شکریہ ادا کرنا چاہیں گے کہ ان کی مسلسل رہنمائی اور تعاون۔

کراچی مارچ ۲۰۲۳

بورڈ کی جانب سے


Guillaume Valence (Mar 8, 2023 16:36 GMT+5)

Guillaume VALENCE

چیف ایگزیکٹو آفسیر



Claude FALGON

بورڈ چیئرمین

شکایت سے نمٹنے کے بارے میں انکشاف

ایک ذمہ دار مالیاتی خدمات فراہم کنندہ کے طور پر جو اپنے کلائنٹس کو سب سے پہلے رکھتا ہے۔ ایڈوناس بینک کا مقصد شکایت کے طریقہ کار کو اپنے کسٹمر سروس کے معیارات کے حصے کے طور پر اور اسٹارٹ مہم کے کلائنٹ پروٹیکشن اصولوں کے مطابق نافذ کرنا ہے۔ ہمارا عملہ نیٹ ورک کی قدروں میں ہے اور "گاہک کی آواز" کو پہچانتا ہے جو ہمیں مختلف ٹچ پوائنٹس کے ذریعے موصول ہوتا ہے اور ہم نے شکایات کے انتظام اور شکایت سے نمٹنے کے حوالے سے اپنے کلائنٹس کی توقعات پر پورا اترنے کے لیے بہت بڑی پیش رفت کی ہے۔ ہم اپنے کلائنٹس کو ان کے حقوق کے بارے میں آگاہ کرنے، ہماری کسٹمر سروسز پر کثرت سے فیڈ بیک جمع کرنے، اور انہیں شکایت کے عمل سے آگاہ کرنے کی کوششیں یقینی بناتے ہیں۔ بینک کے تمام مواصلاتی چینلز کے ذریعے کلائنٹ ٹچ پوائنٹس پر نظر ثانی، افزوہ اور مواصلات کی گئی اور ہماری ویب سائٹ کا بھی حصہ SMS تھی۔ انہیں براؤزنگ نوٹس بورڈز، سوشل میڈیا پیجز، شکایت چینلز کے طریقوں سے آگاہی کے لیے بنایا گیا۔ درج ذیل نکات پر خصوصی توجہ دی جاتی ہے۔

کلائنٹس شکایت کرنے کے اپنے حق سے واقف ہیں اور براؤزنگ کے شکایت خانوں پورے ای اور وقف شدہ ای میل سروسز میں شکایت کرنے کے لیے براؤزنگ کے عملے کے اوپر کم از کم تین چینلز تک رسائی رکھتے ہیں۔

ہر کلائنٹ کی شکایت کو تسلیم کیا جاتا ہے اور اسے سنجیدگی سے لیا جاتا ہے، بغیر کسی امتیاز کے اور ایک شکایت نمبر وہ مسائل ہیں جو سسٹم میں لاگ ان ہوتے ہیں۔ CMS کلائنٹ کو آٹو ایس ایم ایس کے ذریعے فراہم کیے جاتے ہیں اور ہمارے

براؤزنگ کی سطح پر کلائنٹ کی شکایات ہیڈ آفس کو بھیجی جاتی ہیں اور ہر کلائنٹ کی شکایت کی شدت کے لحاظ سے ترجیح دی جاتی ہے۔

ہر کلائنٹ کی شکایت کو معروضی، غیر جانبداری اور مستقل طور پر نمٹا جاتا ہے اور اس بات کو یقینی بناتا ہے کہ کلائنٹ اپنی شکایت کے حل پر ایک ریکارڈ شدہ لائن پر رائے دیں۔

کلائنٹ کی شکایت کا ڈیٹا نجی رکھا جاتا ہے اور یہ صرف نامزد عملے کے لیے قابل رسائی ہے۔

کلائنٹ کی شکایات کا استعمال خدمات کو بہتر بنانے، پالیسیوں کو اپ ڈیٹ کرنے اور تعمیل بڑھانے کے لیے کیا جاتا ہے۔

شکایت سے نمٹنے کے طریقہ کار کو بہتر بنانے کے لیے اٹھائے گئے نئے اقدامات:

انتظامی جائزہ کے لیے جامع رپورٹیں باقاعدگی سے تیار کی جاتی ہیں۔
نظر ثانی شدہ اور بہتر پالیسی اور شکایت سے نمٹنے کے طریقہ کار پر عمل درآمد کیا گیا ہے جس میں تمام اہم عناصر شامل ہیں۔
شکایات کے خانوں اور فارموں کے استعمال کے لیے برانچوں کے ساتھ مضبوط فالو اپ۔
پالیسی کے مطابق شکایات سے نمٹنے کے طریقہ کار کو یقینی بنانے کے لیے برانچوں کے درمیان کوآرڈینیشن بند کریں۔

شکایت سے نمٹنے کی کارکردگی - ۲۰۲۲

کے پاس معیاری ایڈوانس سال ۲۰۲۲ میں، کل ۶۷ شکایات اور ۱۳ فیڈ بیکس/انکوائریاں اور سبھی کو حل کیا گیا اور ان کا ازالہ کیا گیا۔
کام کے دن بمقابلہ ۷.۵ سال ۲۰۲۱ میں تھا۔ اس TAT 6.2 موجود ہیں اور ۲۰۲۲ کے لیے شکایت کے حل کے لیے اوسط TATs کے لحاظ سے بہتر تھا۔ TAT طرح، نسبتاً پچھلے سال ۲۰۲۲ کا اوسط حل کرنے کا وقت ہے۔

کلائنٹ کی شکایات اور شکایات درج کرانے کے چینلز:

کال سینٹر مدد:

برانچ ڈراپ بکس

ای میل:

customerservices@advanspakistan.com

ویب سائٹ:

www.facebook.com/advanspakistan

سیکرٹریٹ اور ایگزیکٹو کمیشن پاکستان

اسٹیٹ بینک آف پاکستان، بینکنگ محتسب پاکستان

پاسٹل کوڈ:

ایڈوانس پاکستان مائیکرو فنانس بینک لمیٹڈ اسلامک چیمبر آف کامرس، تھرڈ فلور

کلفٹن بلاک ۹، کراچی پاکستان

DIRECTORS' REPORT OF ADVANS PAKISTAN MICROFINANCE BANK LIMITED TO THE MEMBERS

It is our pleasure to present, on behalf of the Board of Directors, the Audited Financial Statements of the Bank along with the Auditors' report thereon for the year ended December 31, 2022.

Economic Review

Geopolitical tension, tightening financial conditions and rising inflation, all had a considerable negative influence on growth expectations, creating severe challenges for the global economic environment and Pakistan is no exception. Moreover, rains and floods in the 3rd quarter of 2022 made things even worse for Pakistan.

The government of Pakistan has adopted tight fiscal and monetary policies to combat the economic problems brought on by both internal and external forces, resultantly the discount rate was increased to 16% from 9.75% last year. Currently, the government is facing the difficult task of supporting vulnerable segments of society and meeting other public spending needs, in particular, rising interest servicing. In FY23, fiscal adjustments and monetary tightening are expected to further suppress domestic demand. A contraction in demand, together with capacity and input constraints created by higher import prices from the rupee's depreciation, will reduce industry output.

However, due to prudent spending management and effective domestic resource mobilization, the fiscal deficit was not only confined to the same level of 1.4 percent of GDP as last year but the primary balance surplus was also maintained during the first five months of the fiscal year.

Pakistan's current account deficit (CAD) dropped to \$0.2 billion in January 2023, down 90% from last year as the rupee's depreciation slowed down imports. During the first seven months of the current fiscal year, the country's current account deficit decreased by 67% to \$3.8 billion, compared with a deficit of \$11.6 billion during the same period last year. Trade deficit in the month of January 2023 contracted by 22.71% to \$2.64 billion when compared with \$3.42 billion in January 2022.

Pakistan Workers' Remittances data was reported at \$1.894 billion in Jan 2023. This records a decrease from the previous number of \$2.102 billion for Dec 2022. CPI for the month of January 2023 increased to 27.55% over January 2022. The Urban CPI recorded an increase of 24.38% while Rural CPI recorded an increase of 32.26%. It was the highest reading since May of 1975, as thousands of containers of food items, raw materials and equipment are stuck in ports after the cash-strapped government curtailed imports.

Foreign Exchange Reserves in Pakistan decreased to \$8.7022 billion (including commercial Banks) in February 2023 from 10.8452 billion in December of 2022, due to external debt repayments. Pakistan is engaged with IMF for restart of the loan program, however IMF has listed tight conditions for the restart of the program.

Total foreign private investment recorded a decline of 27% to \$0.6695 billion during the first seven months of the fiscal year as compared with \$0.917 billion in the same period of the last fiscal year. The outflow in portfolio investment was \$0.014 billion during July – January 2022-2023 as compared with outflow of \$0.3076 billion in the same period of the last fiscal year.

Operational Review

Advans Pakistan Microfinance Bank Limited (APMBL) is licensed by the State Bank of Pakistan to operate as a micro finance bank in the province of Sindh, for providing microfinance services, mobilizing deposits from the public and providing credit to poor persons and microenterprises.

In terms of operational performance, 2022 started well with the bank posting sustained growth and extending its outreach by adding 5 new branches. However, from July onwards, floods and rain broke the positive momentum of the bank. This resulted in an increase in PAR 30 from 3.26% to 5.44% over the year, with a peak at 6.14% in October. The increase in risk level and operating expenses, mainly due to very high inflation, turned the overall profitable first half into a loss making year. This resulted in breach of financial covenant with PMICL, however a request letter for waiver in this regard was sent to PMICL, we believe PMICL will consider the request favorably as the loss was mainly due to natural calamity. Despite a difficult year Advans Pakistan was able to increase its loan portfolio by 140% and has proven its resilience to external shocks by weathering a major climatic calamity with limited impact on its portfolio quality. SBP approved the request of Advans Pakistan for the increase in the lending limit from PKR 500k to PKR 1 million and a relaxation in the enterprise ratio limit, set in the Prudential Regulations from 40%, to 70%. The Board believes that the said approval will have a significant positive impact on the overall business and the contribution of APMFBL to financial inclusion in Pakistan. In this regard training program of the CROs to disburse this type of loans was completed.

Due to the floods, portfolio of PKR 1.970 billion was impacted out of which PKR only 80 million remained in PAR 30 as end of 2022. Agri portfolio of PKR 20.68 million was restructured because of the flood. The loan portfolio restructured under the SBP relief program for Covid impacted businesses at the end of 2022 was reduced to only PKR 9.3 million. Further the loans written off during the year amounted to PKR 174 million, mainly due to the impact of the rains and floods on the business of the clients.

During 2022, disbursements of PKR 4,357 million were made to 17,494 borrowers, bringing the gross portfolio to PKR 3,479 million at December 31, 2022. The bank was able to grow its deposit portfolio from PKR 2.27 billion to PKR 3.20 billion during the year, which is a growth of 141%. It is pertinent to note that majority of the liquidity requirement for the year was met by deposit mobilization. It is also pertinent to note that the remaining PKR 200 million term financing from PMICL, from the approved limit of PKR 300 million, was disbursed during the year. Further PKR 200 million term financing from Habib Metropolitan Bank Limited was approved in 2022 and was disbursed in January 2023. Discussion with Incofin, an international lender, for USD 2 million are in final stages which is expected to conclude in 2023.

The disclosure regarding the performance in relation to complaint handling as required by BC & CPD Circular No. 1 of 2016 is attached as annexure 1 to this report.

Adequate internal control systems commensurate with the nature of the Company's business and size and complexity of its operations are in place which have been operating satisfactorily. Internal control systems comprising of policies and procedures are designed to ensure reliability of financial reporting, timely feedback on achievement of operational goals, compliance with policies, procedure, applicable laws and regulations.

Financial Review

The Bank posted a loss of PKR 105.12 million (2021: Profit PKR 53.889 million) during the year 2022 which is due to reasons mentioned above.

Interest income during the year amounted to PKR 1,305.79 million (2021: PKR 774.97 million) of which PKR 19.07 million (1.46% of interest earned) was earned on deposits with other banks, while earnings from the loan portfolio of PKR 1,266.33 million accounted for 96.97% of total interest. The Bank also earned PKR 20.39 million (1.56% of interest income) (2021: PKR 12.46 million (1.60% of interest income)) from investments. After accounting for the loss for the year, net equity of the Bank reduced to PKR 651.48 million (2021: PKR 756.61 million). The loss per share for the year ended December 31, 2022 was (0.61) (2021: profit of 0.32).

The Bank has recognized additional PKR 13.13 million (2021: PKR 9.28 million) of deferred tax asset (DTA) taking the total to PKR 78.22 million (2021: PKR 65.08 million). The DTA recognized pertains to unabsorbed tax depreciation and amortization as at December 31, 2022. As per current tax laws there is no time limit for claiming the tax benefit in respect of unabsorbed tax depreciation and amortization. The deferred tax asset has been recorded based on the financial projections of the Bank.

Minimum Capital Requirement

The year 2022 was closed with a loss of PKR 112 million consequently reducing the equity to PKR 651 million. Even though there is sufficient cushion available with respect minimum equity requirement, however, for Capital Adequacy Ratio, there is not much cushion available. In order to support Advans Pakistan, the charges of support maintenance of information system provided by the group for 2022 was waived, further the dividend approved by the shareholders on the basis of 2021 financial results was also reserved by the shareholders in the EOGM held in December 2022. In December SBP granted approval to investors for the due diligence of Advans Pakistan, we expect that this transaction to be concluded in second quarter 2023 and with the conclusion of this transaction CAR issue will be addressed and will pave the way for Advans Pakistan to apply for the national license.

Future Outlook

2023 is expected to be a tough year as post floods situation and high inflation will impact the economy, however, conducive regulations towards business financing will favour Advans Pakistan. Further the microfinance industry is still facing post-covid

turbulences as impact have started to materialize in the sector, both operationally and financially. Impact of the recent floods is expected to be massive on the agri portfolio. Further the sector is still not addressing the small business segment. Moreover, due to the deteriorating economic situation, focus of the industry on the gold products is expected to increase.

Advans Pakistan will strive to restore the operational and financial performances by reaching new critic size as early as possible, mainly by focusing on upscaling and reduction of risk. However, major hindrance will come from deteriorating economic conditions impacting clients' repayment capacities. Coming back from a difficult year, the objective will be to restore operational self-sufficiency and achieve key operational target set for the year. These key operational targets for 2023 includes increasing productivity of CROs from 5.5 to 8 loans disbursed per month, cost of risk at 4.48% and increasing recovery of written-off loans by 226% compared to 2022. No opening of new branch is planned for 2023.

Growth of 49% on the deposit is planned; also the majority of the liquidity requirements will be meet by deposits. Amongst the major HR objectives include deployment of the EXCOM, staffing of the recovery team, stability of CRO population along with the reinforcement of the supervision and talent management focused on preparing 2024 expansion.

The loan and deposit portfolios are expected grow significantly in 2023 crossing PKR 4.8 billion and PKR 4.6 billion mark that by the end of the year.

Parent Company

As of December 31, 2022 Advans SA, SICAR holds 99.999% shares of APMBL. Advans SA is incorporated in Luxembourg with its operating headquarters in Paris.

Paid-up Capital

The Bank's paid up capital as of December 31, 2022 is PKR 1.73 billion.

Board of Directors

2022 was the year of the directors' election, where all the directors were re-elected for a period of three in the AGM held on March 29, 2022. Further three year contract of the CEO expired during the year which was renewed by the board for next three years.

During the period, following were present on the board of APMBL:

- Mr. Claude FALGON - Chairman
- Mr. Steven DUCHATELLE - Director
- Mr. Eelko BRONKHORST – Director
- Mr. Emmanuel ARIS – Director
- Ms. Isabelle MONTFORT - Director
- Ms. Yusra Arshad GILANI - Independent Director
- Ms. Aeyesha GULZAR – Independent Director
- Mr. Guillaume VALENCE – Chief Executive Officer

Ms. Isabelle MONTFORT submitted her resignation from the board of directors on December 16, 2022 and the casual vacancy after the approval of the board was filled by Mr. Guillaume VALENCE, subject to the approval of the SBP. It should be noted that he will hold the position of executive director after his FPT is approved by SBP.

Directors' attendance for the year is tabulated below:

Sr. No.	Name of Director	07 MAR	12 APR	29 APR	05 JUL	30 AUG	19 SEPT	16 DEC
1	Dr. Claude FALGON	P	P	P	P	P	P	P
2	Mr. Steven DUCHATELLE	P	P	P	P	L	P	P
3	Mr. Eelko BRONKHORST	L	P	P	P	L	P	P
4	Ms. Isabelle MONTFORT	P	P	P	L	L	L	L
5	Mr. Emmanuel ARIS	P	P	P	P	P	P	P
6	Ms. Yusra A. GILANI	P	P	P	P	P	P	P
7	Ms. Aeyesha GULZAR	P	P	P	P	P	P	P
8	Mr. Guillaume VALENCE	P	P	P	P	P	P	P

The detail of the Board Committees is tabulated below:

Description	Audit Committee	HR & Compensation Committee	Risk Committee	Remuneration Committee
Chairperson	Ms. Aeyesha GULZAR	Ms. Yusra A GILANI	Ms. Yusra A GILANI	Dr. Claude FALGON
Member	Mr. Emmanuel ARIS	Mr. Steven DUCHATELLE	Dr. Claude FALGON	Mr. Emmanuel ARIS
Member	Ms. Yusra A GILANI	Mr. Eelko BRONKHORST	Mr. Emmanuel ARIS	Ms. Yusra A GILANI
Member		Ms. Aeyesha GULZAR		Ms. Aeyesha GULZAR

Performance evaluation Mechanism for the Board

The Board of Directors, while ensuring regulatory compliance is also vested with fiduciary responsibility on behalf of the shareholders to protect Bank's interests, provide strategic direction and monitor the execution of strategic objectives. The Companies Act 2017 and SBP's Prudential Regulations describes the role of the Board of Directors along with its responsibilities and functions. In compliance with the AC&MFD Circular No. 02 of 2019, Board Remuneration Committee was formulated in 2019 which subsequently developed and implemented an effective mechanism for the Board of Directors' evaluation.

The Board of Directors decided to opt for in-house approach with quantitative techniques for evaluations. As per approved mechanism, performance evaluation of following categories is carried out:

1. Board Activity
2. Board Organization
3. Board Meeting
4. Board membership
5. Management support

The responses and feedback from the Directors on each of the abovementioned categories are compiled and consolidated with the Company Secretary. The results are discussed in the board meeting. These results are also presented in the Shareholders

Annual General meeting. The Board of Directors, in its March 06, 2023 meeting, noted the results of the Board of Directors Annual evaluation for the year 2022 and expressed its satisfaction on the results.

Credit Rating

JCR-VIS Credit Rating Company Limited has reaffirmed rating of long term “BBB+” and short term “A-3” to the Bank with “Stable” outlook in 2022.

Transfer Pricing

All transactions with the related parties undertaken during the financial year were at concessional rates or free of cost, as admissible in the best interest of the Bank.

Auditors

A.F. Ferguson Co. Chartered Accountant (a member firm of PWC) after completing 5 years as statutory Auditors was replaced by BDO Ebrahim & Co. Chartered Accountants in 2022. This New auditors were appointed by the shareholders in the AGM held on March 29, 2022.

Pattern of Shareholding

The Pattern of Shareholding of the Bank as at December 31, 2022 as required under Section 227 of the Companies Act 2017 is as Follow:

No. of Shareholder(s)	Shareholding from	Shareholding to	Total Shares Held
2	1	100	2
1	172,516,000	172,516,500	172,516,308
Total			172,516,310

Categories of the Shareholders

Particular	Number	Shares held	Percentage
Director(s)	2	2	0.00%
Corporate Entity	1	172,516,308	100%

Acknowledgement

We would like to take this opportunity to thank our valued clients, shareholders and other stakeholders for their patronage and confidence and our management and employees for their dedication and hard work.

We would also like to express our gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan for their continued guidance and support.

Karachi: March 06, 2023

On behalf of the Board


Guillaume Valence (Mar 8, 2023 16:36 GMT+5)
Guillaume VALENCE
 Chief Executive Officer


Claude FALGON
 Chairman of the Board

Annexure 1

Disclosure on Complaint Handling

As a responsible financial services provider which puts its clients first, Advans Pakistan aims to implement complaint mechanisms as part of its customer service standards and in line with the Client Protection Principles of the SMART Campaign. Our staff across the network values and recognize the "voice of the customer" that we receive through various touch points and we have made great strides to live up to the expectations of our clients on grievance management and complaint handling. We ensure to make efforts to educate our clients of their rights, collect feedback frequently on our customer services, and aware them of the complaint process. Client touch points were revised, enriched and communication via all of the Bank's communication channels; same were made part of the branch notice boards, social media pages, SMS for awareness of modes of complaint channels and our website, as well. The following points are given special consideration:

- Clients are aware of their right to complain and have access to at least three channels on top of in-branch staff to complain that are in branch complaint boxes, UAN & dedicated email services.
- Each client complaint is acknowledged and taken seriously, with no discrimination & a complaint number is issued that is provided to client through an auto sms & logged into our CMS system.
- Client complaints at branch level are sent to the Head Office and each client complaint is prioritized depending on severity
- Each client complaint is dealt with objectively, impartially and consistently and ensures Clients gives feedback on the resolution of their complaint over a recorded line
- Client complaint data is kept private and is only accessible to designated staff
- Client complaints are used to improve services, update policies and increase compliance

New Initiatives taken to improve the Complaint Handling Mechanism:

- Comprehensive Reports are produced regularly for Management Review.
- Revised and improved Policy and Procedure for Complaint Handling encapsulating all critical elements are implemented.
- Strong follows up with branches for the utilization of complaint boxes & forms.
- Close coordination of branches to ensure complaint handling mechanism followed as per policy.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANS PAKISTAN MICROFINANCE BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of ADVANS PAKISTAN MICROFINANCE BANK LIMITED (the Bank), which comprise the balance sheet as at December 31, 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Director's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII).

Other matter

The financial statements of the Bank for the year ended December 31, 2021 were audited by another firm of Chartered Accountants who have expressed an unmodified opinion thereon vide their report dated March 07, 2022.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer

KARACHI

DATED: March 6, 2023

UDIN: AR202210067LZBpC8Eyw


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2022

	Note	2022 ----- (Rupees) -----	2021 -----
ASSETS			
Cash and balances with SBP and NBP	7	327,210,799	259,926,324
Balances with other banks and microfinance banks	8	22,819,934	267,764,609
Investments	9	146,494,991	-
Advances - net of provisions	10	3,332,993,835	2,430,141,007
Operating fixed assets	11	411,248,606	239,372,574
Other assets	12	156,715,596	108,946,327
Deferred tax asset - net	13	79,061,485	65,086,908
Total assets		4,476,545,246	3,371,237,749
LIABILITIES			
Deposits and other accounts	14	3,206,860,162	2,272,272,578
Borrowings	15	310,232,046	100,000,000
Subordinated debt		-	-
Other liabilities	16	304,997,245	241,640,429
Deferred tax liabilities		-	-
Total liabilities		3,822,089,453	2,613,913,007
Net assets		654,455,793	757,324,742
REPRESENTED BY			
Share capital	17	1,725,163,100	1,725,163,100
Reserves		13,766,170	13,766,170
Depositors' protection fund		4,022,814	3,441,542
Unappropriated losses		(1,089,210,960)	(985,760,739)
		653,741,124	756,610,073
Surplus / (deficit) on revaluation of assets		-	-
Deferred grant	18	714,669	714,669
		654,455,793	757,324,742
MEMORANDUM / OFF BALANCE SHEET ITEMS	19		

The annexed notes from 1 to 39 form an integral part of these financial statements.


Guillaume Valence (Mar 6, 2023 20:44 GMT+5)

Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Note	----- (Rupees) -----	-----
Mark-up / return / interest earned	20 1,305,799,764	774,970,662
Mark-up / return / interest expensed	21 (430,615,108)	(184,562,044)
Net mark-up / interest income	<u>875,184,656</u>	<u>590,408,618</u>
Provision against non-performing loans and advances - net	10.4 252,535,997	74,239,460
Provision for diminution in the value of investments	-	-
Bad debts written off directly	4,275,499	-
	<u>256,811,496</u>	<u>74,239,460</u>
Net mark-up / return / interest income after provisions	618,373,160	516,169,158
Non mark-up / non interest income		
Fee, commission and brokerage income	22 165,581,390	110,931,594
Dividend income	-	-
Other income	23 28,987,118	31,315,281
Total non-mark-up / non-interest income	<u>194,568,508</u>	<u>142,246,875</u>
	812,941,668	658,416,033
Non mark-up / non interest expenses		
Administrative expenses	24 909,498,011	600,524,503
Other provision / write offs	-	-
Other operating expenses / other charges	25 1,169,859	1,491,628
Total non mark-up / non interest expenses	<u>910,667,870</u>	<u>602,016,131</u>
Extra ordinary / unusual items	-	-
(Loss) / profit before taxation	<u>(97,726,202)</u>	<u>56,399,902</u>
Taxation		
Current	26 18,754,603	11,791,858
Prior	26 362,721	-
Deferred	26 (13,974,577)	(9,277,101)
	<u>5,142,747</u>	<u>2,514,757</u>
(Loss) / profit after taxation	<u>(102,868,949)</u>	<u>53,885,145</u>
Unappropriated loss brought forward	<u>(985,760,739)</u>	<u>(1,026,174,598)</u>
	<u>(1,088,629,688)</u>	<u>(972,289,453)</u>
Appropriations		
Transfer to:		
Statutory reserve	-	(10,777,029)
Capital reserve	-	-
Depositors' protection fund	(581,272)	(2,694,257)
Revenue reserve	-	-
Proposed cash dividend	-	-
Unappropriated loss carried forward	<u>(1,089,210,960)</u>	<u>(985,760,739)</u>
(Loss) / earnings per share - basic and diluted (Rupee)	27 (0.60)	0.32

The annexed notes from 1 to 39 form an integral part of these financial statements.


Guillaume Valence (Mar 6, 2023 20:44 GMT+5)

Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	----- (Rupees) -----	
(Loss) / profit for the year after taxation	(102,868,949)	53,885,145
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	<u>(102,868,949)</u>	<u>53,885,145</u>

Surplus / (deficit) on revaluation of available-for-sale investments, if any, is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP) for Microfinance institutions / banks.

The annexed notes from 1 to 39 form an integral part of these financial statements.


 Guillaume Valence (Mar 6, 2023 20:44 GMT+5)

Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Capital reserve	Statutory reserve	Depositors' protection fund	Unappropriated losses	Total
----- (Rupees) -----						
Balance as at January 01, 2020	1,575,163,100	-	2,989,141	747,285	(1,026,174,598)	552,724,928
Issuance of share capital	150,000,000	-	-	-	-	150,000,000
Comprehensive income for the year						
Profit for the year	-	-	-	-	53,885,145	53,885,145
Transferred to statutory reserve*			10,777,029		(10,777,029)	-
Transferred to depositors' protection fund**				2,694,257	(2,694,257)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	10,777,029	2,694,257	40,413,859	53,885,145
Balance as at December 31, 2021	<u>1,725,163,100</u>	<u>-</u>	<u>13,766,170</u>	<u>3,441,542</u>	<u>(985,760,739)</u>	<u>756,610,073</u>
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(102,868,949)	(102,868,949)
Transferred to statutory reserve*	-	-	-	-	-	-
Transferred to depositors' protection fund**	-	-	-	581,272	(581,272)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	581,272	(103,450,221)	(102,868,949)
Balance as at December 31, 2022	<u>1,725,163,100</u>	<u>-</u>	<u>13,766,170</u>	<u>4,022,814</u>	<u>(1,089,210,960)</u>	<u>653,741,124</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

* As per the Regulation R-4 of Prudential Regulations for Microfinance Banks, the Bank is required to transfer 20% of its annual profits after taxes till such time the reserve fund equals the paid-up capital of the Bank.

** As per Microfinance Institutions Ordinance 2001, the Bank is required to transfer 5% of its annual profits after taxes and profits earned on the investments of the Fund to Depositors' Protection Fund.


Guillaume Valence (Mar 6, 2023 20:44 GMT+5)

Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Note	----- (Rupees) -----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(97,726,202)	56,399,902
Adjustments for non-cash charges and other items		
Depreciation	11.2 47,721,091	28,605,706
Depreciation on right-of-use asset	11.2 45,583,628	24,477,194
Amortisation of intangible assets	11.3 1,480,793	1,704,286
Provision against non performing advances - net	10.4 252,535,997	74,239,460
Loss / (gain) on disposal of operating fixed assets	25 1,069,859	(568,938)
Financial charges on lease liability against right-of-use asset	24,034,987	12,419,830
	<u>372,426,355</u>	<u>140,877,538</u>
	274,700,153	197,277,440
Increase in operating assets		
Advances	(1,155,388,825)	(1,548,737,098)
Other assets	(44,210,418)	(41,320,541)
	(1,199,599,243)	(1,590,057,639)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	934,587,584	1,217,090,003
Borrowings - net	210,232,046	(125,000,000)
Other liabilities (excluding current taxation)	(4,040,251)	44,828,917
	<u>1,140,779,379</u>	<u>1,136,918,920</u>
	215,880,289	(255,861,279)
Income tax paid	(20,080,235)	(11,434,730)
Net cash flows / (used in) operating activities	195,800,054	(267,296,009)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in operating fixed assets	(161,040,836)	(67,783,932)
Proceeds from the disposal of operating fixed assets	-	1,283,000
Net cash used in investing activities	(161,040,836)	(66,500,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use asset	(65,924,427)	(33,732,559)
Issuance of share capital	17.2.2 -	150,000,000
Net cash (used in) / flows from financing activities	(65,924,427)	116,267,441
Net decrease in cash and cash equivalents during the year	(31,165,209)	(217,529,500)
Cash and cash equivalents at the beginning of the year	527,690,933	745,220,433
Cash and cash equivalents at the end of the year	32 <u>496,525,724</u>	<u>527,690,933</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.


Guillaume Valence (Mar 6, 2023 20:44 GMT+5)

Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1 STATUS AND NATURE OF BUSINESS

- 1.1 Advans Pakistan Microfinance Bank Limited (the Bank) was incorporated as a public limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on April 17, 2012 and was granted license by the State Bank of Pakistan on June 28, 2012 to operate as a microfinance bank in the province of Sindh. The Securities and Exchange Commission of Pakistan and the State Bank of Pakistan granted permissions to the Bank for the commencement of business with effect from November 21, 2012 and January 04, 2013 respectively. The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001.

The registered office of the Bank is situated at Plot No.ST 2/A 3rd Floor Building No.3, Islamic Chamber of Commerce near Ocean Mall, Block 9 KDA Scheme 5, Clifton Karachi, Pakistan. The Bank operates through branches and service centres spread within the province of Sindh as disclosed in note 30 to these financial statements.

- 1.2 The Bank is a subsidiary of Advans S.A. Sicar (incorporated in Luxembourg) which holds 99.99% (December 31, 2021: 99.99%) share capital of the Bank.
- 1.3 The Bank's capital (free of losses) amounted to Rs. 653.741 million as at December 31, 2022 (December 31, 2021: Rs. 756.61 million) which is above the minimum capital requirements as at December 31, 2022.
- 1.4 The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "BBB+" and short term rating at "A-3" on April 29, 2022.

2 BASIS OF PRESENTATION

These financial statements have been prepared in compliance with the format as prescribed under the Banking Surveillance Department (BSD) Circular No.11 dated December 30, 2003 issued by the State Bank of Pakistan.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) (including Prudential Regulations of Microfinance Banks) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP differ with the requirements of IFRS, the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP shall prevail.

- 3.2 The SBP vide BSD Circular letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. Additionally, as the SBP vide BPRD Circular No. 3 of 2022 dated July 05, 2022, has extended the applicability of IFRS 9 to banks to accounting periods beginning on or after January 01, 2024, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

4.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees ("Rupees" or "Rs"), which is the Bank's functional and presentation currency.

4.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- Depreciation methods, residual values and useful lives of property and equipment (notes 5.2.1 and 11.2).
- Valuation of right-of-use assets and their related lease liability (notes 5.2.2 and 11.2.1).
- Taxation (notes 5.4, 13 and 26).
- Classification of investments (notes 5.5 and 9).
- Provision against non-performing advances (notes 5.3 and 10).
- Intangible assets valuation and amortization (notes 5.2.4 and 11.3).

Till December 31, 2019, the Bank was maintaining a general provision against its portfolio of loans and advances in accordance with the requirements of Prudential Regulations for Microfinance Banks. From the year ended December 31, 2020, the Bank has also started making a general provision against its portfolio of loans and advances which has been rescheduled / restructured as a result of COVID-19 as more fully explained in note 5.3 to these financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents represent cash in hand, balances held with State Bank of Pakistan, National Bank of Pakistan and with other banks in current and deposit accounts and short term highly liquid investment in Government securities with original maturity of three months or less.

5.2 Operating fixed assets

5.2.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged using the straight line method over the estimated useful lives of assets at the rates stated in note 11.2 to these financial statements. Depreciation on additions is charged from the month when the asset is available for use and on disposals upto the month preceding the month of disposal.

The assets residual values, useful lives and depreciation methods, are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance cost is charged to the profit and loss account during the period in which they are incurred.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals, if any, are determined by comparing the sale proceeds with the carrying amount of asset and are included in the profit and loss account.

5.2.2 Right-of-use assets and their related lease liability

5.2.2.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered till the month of disposal.

5.2.2.2 Lease liability against right-of-use assets

The lease liabilities are initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

5.2.3 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when those assets are available for use. These are carried at cost less impairment losses, if any.

5.2.4 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method over their estimated useful lives at the rate mentioned in note 11.3.

Amortisation on additions is charged from the month in which the assets are available for use while no amortisation is charged in the month in which the assets are disposed of.

The estimated useful lives and the amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in the estimate being accounted for on a prospective basis.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to flow to the Bank and that the cost can be measured reliably.

5.2.5 Impairment

The Bank assesses at the end of each reporting period whether there is any indication that property and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the profit and loss account.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income in the profit and loss account.

5.3 Advances

Advances are stated net of specific and general provisions. Provision against non-performing advances are made in accordance with the requirements of the Prudential Regulations for Microfinance Banks issued by the State Bank of Pakistan and are charged to the profit and loss account. Advances are written off in accordance with the Prudential Regulations for Microfinance Banks or when there is no realistic prospect of recovery.

In addition, the Bank expects that several borrowers may be severely impacted by the COVID-19 pandemic. The potential impact of the economic stress is difficult to predict, as many of such borrowers have availed the SBP enabled deferment / restructuring and rescheduling relief. Hence, the management feels that it is appropriate to maintain an additional general provision of upto 12% on the portfolio that has applied for restructuring / rescheduling excluding gold loans.

5.4 Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognised in the profit and loss account, except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

5.4.1 Current and prior year taxation

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credits and rebates. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments finalised / made during the year.

5.4.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

5.5 Investments

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity and available-for sale, as appropriate, based on the purpose for which these are acquired.

Investments (other than held-for-trading) are initially measured at fair value plus transaction costs associated with investments. Held-for-trading investments are initially measured at fair value and transaction costs are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the timeframe established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

Held-for-trading

These are securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists. After initial measurement, such investments are carried at fair value and the surplus / (deficit) arising as a result of revaluation is taken to the profit and loss account.

Held-to-maturity

These are securities with fixed or determinable payments and have fixed maturities, which the Bank has the positive intention and ability to hold till maturity. After initial measurement, all such investments are carried at amortised cost less impairment.

Available-for-sale

These are securities which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, all such investments are measured at fair value. The surplus / (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realised upon disposal.

Premium or discount on acquisition of securities classified as "available-for-sale" and "held-to-maturity" is amortised using the effective interest method and taken to the profit and loss account.

Impairment loss in respect of investments categorised as available for sale and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. A significant or prolonged decline in the fair value of a listed equity investment below its cost is also considered an objective evidence of impairment. In case of impairment of "available for sale" securities, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Impairment on equity instruments is not reversed through profit and loss account.

5.6 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

5.7 Statutory reserve

The Bank is required under Regulation 4 of Prudential Regulations for Microfinance Banks to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made till such time the reserve fund equals the paid-up capital of the Microfinance Bank; thereafter, a sum of not less than 5% of its annual profit after tax is required to be appropriated.

5.8 Depositor's protection fund

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit to the Depositors' protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

5.9 Cash reserve

In compliance with the related regulatory requirements, the Bank is required to maintain a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenor of less than 1 year) in a current account opened with the State Bank of Pakistan or its agent.

5.10 Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to at least 10% of its total demand and time liabilities with tenor of less than one year in form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositor protection fund are excluded for the purpose of determining liquidity.

5.11 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up on deposits is accrued on a time proportion basis.

5.12 Grants

The grant related to an asset is recognised in the balance sheet when there is a reasonable certainty that it will be received and the Bank will comply with the condition(s) attached to it. Grants that compensate the Bank for expense incurred are recognised as revenue in the profit and loss account on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account on a systematic basis over the life of the asset.

5.13 Revenue recognition

- Mark-up / return / interest on performing advances is recognised on an accrual basis using the effective interest method. Mark-up on advances classified under the Prudential Regulations is recognised on receipt basis.

- Mark-up / return on investment is recognised on an accrual basis using the effective interest method.
- Fee, commission and brokerage income is recognised when services are rendered.
- Gains and losses on sale of investments are included in the profit and loss account in the period in which sale / settlement occurs.
- Return on balances with other banks is recognised in the profit and loss account on an accrual basis.
- Other income is recognised on an accrual basis.

5.14 Financial instruments

5.14.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. The financial assets and financial liabilities are subsequently measured and carried at fair value, amortised cost or cost as the case may be. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risks and rewards of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on de-recognition of the financial assets and liabilities are recognised in the profit and loss account.

5.14.2 Derivative financial Instruments

These are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

5.14.3 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.15 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains and losses are included in the profit and loss account.

5.16 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

5.17 Earnings / (loss) per share

The Bank presents basic and diluted earnings / (loss) per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at December 31, 2022 and December 31, 2021.

5.18 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriations which are required by the law, are recorded in the period in which these are approved.

5.19 Staff retirement

5.19.1 Contributory provident fund

The Bank operates an approved contributory provident fund for all employees. Monthly equal contributions are made to the fund by the Bank and the employees at the rate of 10% of basic salary.

6 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

6.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2022

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

6.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Amendments to IFRS 16 'Leases' - Lease liability in a sale and leaseback	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024

	Effective date (annual periods beginning on
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards
IFRS 17 Insurance Contracts

The SBP vide BPRD Circular letter No. 03 of 2022, dated July 05, 2022, has extended the date of implementation of IFRS 9 - "Financial Instruments" till January 01, 2024. Accordingly, the requirements of this standard have not been considered in the preparation of these financial statements. The aforementioned circular letter requires banks to submit IFRS 9 compatible pro forma financial statements for the year ended December 31, 2022 and perform parallel run of IFRS 9 on quarterly basis.

The Banks in Pakistan through the Pakistan Banks Association (PBA) have submitted their comments on instructions issued for parallel reporting and requested that those are addressed in the final instructions to be issued. The matters raised include retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, impact on Capital Adequacy Ratio (CAR), guidance on Significant Increase in Credit Risk (SICR) criteria, future tax impacts of any reversals, recording of Expected Credit Loss (ECL) on Government securities denominated in local currency, including further clarifications required in certain areas.

Due to the fact that final instructions have not yet been issued and there are a large number of reservations on the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 is under assessment as at December 31, 2022.

	Note	2022 ----- (Rupees) -----	2021 -----
7 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand		63,482,350	68,023,192
Balances with State Bank of Pakistan (SBP)	7.1	263,728,449	191,903,132
Balance with National Bank of Pakistan (NBP)		-	-
		<u>327,210,799</u>	<u>259,926,324</u>

7.1 These represent current accounts maintained with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% of the Bank's time and demand liabilities in accordance with the Prudential Regulations for Microfinance Banks.

8 BALANCES WITH OTHER BANKS AND MICROFINANCE BANKS

In Pakistan:

Current accounts		5,683,409	9,239,159
PLS deposit accounts	8.1	<u>17,136,525</u>	<u>258,525,450</u>
		<u>22,819,934</u>	<u>267,764,609</u>

8.1 These include deposits with commercial banks carrying mark-up rates ranging from 8.25% to 14.5% (2021: 5.5% to 9.8%) per annum.

9 INVESTMENTS

Held-to-maturity securities

Federal Government Securities

Market Treasury Bills	9.1	<u>146,494,991</u>	<u>-</u>
-----------------------	-----	--------------------	----------

9.1 During the year, the Bank purchased various market treasury bills (T-Bills) having a face value of Rs. 825 million out of which Rs. 675 million have been matured during the year. T-Bill having a face value of Rs. 150 million at the reporting date, was purchased in auction from primary dealer Alfalah GHP Investment Management Limited, on December 09, 2022 at a cost of Rs. 144.974 million. This is carried at amortized cost and will mature on February 23, 2023. It carries yield percentage at 16.65% per annum.

10 ADVANCES - NET OF PROVISIONS

Note	2022		2021		
	Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding	
		---- (Rupees) ----		---- (Rupees) ----	
Micro credit	10.1	19,302	3,479,012,781	15,163	2,494,002,194
Less: Provision held					
Specific	10.1, 10.2, 10.3 & 10.4	1,280	114,955,980	592	31,273,053
General	10.4	-	31,062,966	-	32,588,134
			(146,018,946)		(63,861,187)
			<u>3,332,993,835</u>		<u>2,430,141,007</u>

10.1 All advances are secured by personal guarantees except for certain advances which are secured against gold provided by the borrowers.

10.2 Particulars of non-performing advances

Advances include Rs. 187.273 million (2021: Rs 77.710 million) which have been placed under non-performing status as per Prudential Regulations for Microfinance Banks as detailed below:

Category of classification	2022			2021		
	Amount outstanding	Provision required	Provision held (note 10.3)	Amount outstanding	Provision required	Provision held
	----- (Rupees) -----			----- (Rupees) -----		
Other assets especially mentioned (OAEM)	19,382,002	-	-	16,193,767	-	-
Sub-standard	27,978,498	6,994,623	6,994,623	12,356,466	3,044,913	3,044,913
Doubtful	101,855,540	50,927,771	50,927,771	39,997,366	19,941,804	19,941,804
Loss	38,057,523	38,057,523	57,033,586	9,163,090	8,286,336	8,286,336
	<u>187,273,563</u>	<u>95,979,917</u>	<u>114,955,980</u>	<u>77,710,689</u>	<u>31,273,053</u>	<u>31,273,053</u>

10.3 The State Bank of Pakistan (SBP), in exercise of its powers granted under section 21 of The Microfinance Institutions Ordinance 2001, carried out on-site inspection of the Bank for the period from January 01, 2020 to June 30, 2022. In its On-site Assessment Report dated January 10, 2023, SBP directed the Bank to provide for an additional amount of Rs. 117.245 million on advances, related to 448 clients. The bank was also directed to reverse the income recognized amounting to Rs. 2.885 million in this regard. This additional provision pertains to the loans restructured by the Bank during the Covid-19 pandemic period under the relaxation allowed by SBP. The Bank duly complied with the directions and upon modifying the classification of non-performing loans as required under Regulation R-8 of the Prudential Regulations for Microfinance Banks (the Regulations), recognized the suggested provision under the category "Loss". At the reporting date, the provision and the income reversal stands at Rs. 18.976 million and 0.745 million respectively, after taking into account the reversals allowed under Regulation R-9 of the Regulations.

10.4 Particulars of provision against non-performing advances

The movement of provision against non-performing advances is as follows:

	2022			2021		
	Specific	General (note 10.4.1)	Total	Specific	General (note 10.4.1)	Total
	(Rupees)					
Opening balance	31,273,053	32,588,134	63,861,187	38,987,407	79,810,691	118,798,098
Charge for the year						
On non-performing advances	254,837,891	27,805,344	282,643,234	124,399,996	20,604,529	145,004,525
Reversals	(776,726)	(29,330,512)	(30,107,238)	(2,937,979)	(67,827,086)	(70,765,065)
	254,061,165	(1,525,168)	252,535,997	121,462,017	(47,222,557)	74,239,460
Amount written off	(170,378,238)	-	(170,378,238)	(129,176,371)	-	(129,176,371)
Closing balance	114,955,980	31,062,966	146,018,946	31,273,053	32,588,134	63,861,187

- 10.4.1 This represents general provision equivalent to 1% of the outstanding advances (other than gold loans) - net of specific provisions held in accordance with the requirements of the Prudential Regulations for Microfinance Banks. General provision also includes Rs. 0.545 million (2021: Rs. 10.47 million) as discussed in note 5.3 to these financial statements.

Note **2022** **2021**
----- (Rupees) -----

10.5 Particulars of write offs:

Against provisions	170,378,238	129,176,371
Directly charged to profit and loss account	4,275,499	-
	<u>174,653,737</u>	<u>129,176,371</u>

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	-	16,502,589
Property and equipment	11.2	407,353,506	216,157,707
Intangible assets	11.3	3,895,100	3,153,427
		<u>411,248,606</u>	<u>235,813,723</u>

11.1 Capital work-in-progress

Civil works	-	41,245
Equipment	-	16,461,344
	<u>-</u>	<u>16,502,589</u>

11.2 Property and equipment

2022								
COST			DEPRECIATION			Net book value at December 31, 2022	Annual rate of depreciation	
At January 01, 2022	Additions / (disposal)	At December 31, 2022	At January 01, 2022	Charge for the year / disposal	At December 31, 2022			
(Rupees)								%
Owned								
Leasehold improvements	60,755,532	79,651,357 (5,665,863)	134,741,026	24,999,570	10,288,361 (4,596,004)	30,691,927	104,049,099	10
Furniture and fixtures	23,689,654	13,026,333	36,715,987	15,490,790	4,666,606	20,157,396	16,558,591	20
Office and other equipment	71,702,575	35,581,177	107,283,752	45,759,017	14,251,207	60,010,224	47,273,528	20
Computer equipment	86,408,229	29,615,094	116,023,323	62,478,026	16,699,315	79,177,341	36,845,982	33
Vehicles	13,954,414	17,447,000	31,401,414	8,407,993	1,815,602	10,223,595	21,177,819	20
Right-of-use asset (note 11.2.1)	181,515,948	110,249,416	291,765,364	64,733,249	45,583,628	110,316,877	181,448,487	13 - 100
	438,026,352	285,570,377 (5,665,863)	717,930,866	221,868,645	93,304,719 (4,596,004)	310,577,360	407,353,506	

2021								
COST			DEPRECIATION			Net book value at December 31, 2021	Annual rate of depreciation	
At January 01, 2021	Additions / (disposal)	At December 31, 2021	At January 01, 2021	Charge for the year / disposal	At December 31, 2021			
(Rupees)								%
Owned								
Leasehold improvements	47,235,299	13,520,233	60,755,532	19,654,657	5,344,913	24,999,570	35,755,962	10
Furniture and fixtures	19,218,073	4,471,581	23,689,654	12,617,226	2,873,564	15,490,790	8,198,864	20
Office and other equipment	58,552,025	13,150,550	71,702,575	36,193,454	9,565,563	45,759,017	25,943,558	20
Computer equipment	65,640,694	20,767,535	86,408,229	52,196,026	10,282,000	62,478,026	23,930,203	33
Vehicles	15,369,250	233,000 (1,647,836)	13,954,414	8,802,101	539,666 (933,774)	8,407,993	5,546,421	20
Right-of-use asset (Note 11.2.1)	113,965,669	67,550,279	181,515,948	40,256,055	24,477,194	64,733,249	116,782,699	13 - 100
	319,981,010	119,693,178 (1,647,836)	438,026,352	169,719,519	53,082,900 (933,774)	221,868,645	216,157,707	

2022 2021
Note ----- (Rupees) -----

11.2.1 Right-of-use asset

Cost	291,765,364	181,515,948
Accumulated depreciation	<u>(110,316,878)</u>	<u>(64,733,249)</u>
	<u>181,448,486</u>	<u>116,782,699</u>
Cost		
Opening balance	181,515,948	113,965,669
Additions during the year	<u>110,249,416</u>	<u>67,550,279</u>
Closing balance	<u>291,765,364</u>	<u>181,515,948</u>
Accumulated depreciation		
Opening balance	64,733,249	40,256,055
Depreciation charge for the year	<u>45,583,629</u>	<u>24,477,194</u>
Closing balance	<u>110,316,878</u>	<u>64,733,249</u>

11.2.2 Property and equipment include assets costing Rs. 94.994 million (2021: Rs. 71.839 million) which are fully depreciated and are still in use.

11.2.3 The disposals relates to leasehold improvements costing Rs. 5.665 million with book value of Rs. 1.069 million. These disposals were made as scrap without any sales proceeds and the entire net book value is charged to the profit and loss account.

11.3 Intangible assets

2022							
COST			AMORTISATION			Net book value at December 31, 2022	Annual rate of amortisation
At January 01, 2022	Additions	At December 31, 2022	At January 01, 2022	Charge for the year	At December 31, 2022		
(Rupees)							%

Core banking application and other licenses	56,704,385	-	56,704,385	54,870,542	90,277	54,960,819	1,743,566	25
Computer software	10,044,497	2,222,466	12,266,963	8,724,913	1,390,516	10,115,429	2,151,534	25
	<u>66,748,882</u>	<u>2,222,466</u>	<u>68,971,348</u>	<u>63,595,455</u>	<u>1,480,793</u>	<u>65,076,248</u>	<u>3,895,100</u>	

2021							
COST			AMORTISATION			Net book value at December 31, 2021	Annual rate of amortisation
At January 01, 2021	Additions	At December 31, 2021	At January 01, 2021	Charge for the year	At December 31, 2021		
(Rupees)							%

Core banking application and other licenses	56,704,385	-	56,704,385	54,541,276	329,266	54,870,542	1,833,843	25
Computer software	8,468,707	1,575,790	10,044,497	7,349,893	1,375,020	8,724,913	1,319,584	25
	<u>65,173,092</u>	<u>1,575,790</u>	<u>66,748,882</u>	<u>61,891,169</u>	<u>1,704,286</u>	<u>63,595,455</u>	<u>3,153,427</u>	

11.3.1 Intangible assets include software costing Rs. 62.144 million (2021: Rs 60.527 million) which are fully amortised and still in use.

	Note	2022 ----- (Rupees) -----	2021 -----
12 OTHER ASSETS			
Mark-up / return / interest accrued		113,683,630	74,581,739
Prepayments for			
rent		9,777,162	8,329,066
insurance		2,527,698	3,323,056
others		14,372,380	11,016,966
Advances to staff		6,953,685	3,304,179
Advances to suppliers and contractors		-	3,558,851
Advance taxation (payments less provisions)		118,843	-
Security deposits		6,929,580	7,262,180
Receivable from a related party	12.1	421,020	-
Accrued income on PLS savings account		192,100	574,631
Others		1,739,498	554,510
		<u>156,715,596</u>	<u>112,505,178</u>

- 12.1 This represents amount receivable from Advans International, a related party, for reimbursement of expenses.

13 DEFERRED TAX ASSET - NET

Deferred tax comprises of deductible and taxable timing differences in respect of the following:

Deductible temporary differences arising in respect of

Unabsorbed tax depreciation and amortisation	76,294,178	65,565,778
Property and equipment	3,896,886	106,876
	80,191,064	65,672,654

Taxable temporary differences arising due to

Intangible assets	(1,129,579)	(585,746)
	(1,129,579)	(585,746)
	79,061,485	65,086,908

- 13.1 The Bank has unabsorbed tax loss of Rs. 822.983 million (including unabsorbed tax depreciation and amortisation amounting to Rs. 263.083 million) as at December 31, 2022. The management has recognised deferred tax asset of Rs. 76.294 million (2021: Rs 65.565 million) on unabsorbed tax depreciation and amortisation. The deferred tax asset has been recorded based on the financial projections of the Bank which have been prepared by the management. The financial projections prepared by the management are based on assumptions which are linked to various variable factors such as growth in enterprise loans, expansion in gold-backed loans, microloans, productivity, growth in loan size, effective interest rate etc. expected to be achieved during the next three years.

14 DEPOSITS AND OTHER ACCOUNTS

	2022		2021	
	Number of accounts	Rupees	Number of accounts	Rupees
Fixed deposits	666	2,689,157,600	526	1,319,281,283
Saving deposits	1,345	410,330,081	1,275	861,648,789
Current deposits	41,529	107,372,481	42,204	91,342,506
	43,540	3,206,860,162	44,005	2,272,272,578

14.1 Particulars of deposits by ownership

Individual depositors	43,399	2,426,962,485	43,816	1,628,323,075
Institutional depositors				
Corporations/firms etc.	141	779,897,677	189	643,949,503
	43,540	3,206,860,162	44,005	2,272,272,578

		2022	2021
	Note	----- (Rupees) -----	-----
15	BORROWINGS		
	Borrowings from Banks / Financial Institutions in Pakistan	15.1 & 15.2	310,232,046
			100,000,000
15.1	Details of borrowings from financial institutions		
	Secured		
	Borrowing from Non-Banking Finance Company (NBFC)	15.2	300,000,000
	Borrowing from United Bank Limited	15.3	10,232,046
			-
		<u>310,232,046</u>	<u>100,000,000</u>
15.2	During the prior year, the Bank entered into an agreement with Pakistan Microfinance Investment Company (PMIC) for a term finance facility of upto Rs. 300 million. Bank received first tranche of Rs. 100 million during the year ended December 31, 2021. Further two tranches of Rs. 100 million each were received during the reporting period. The facility carries mark-up at the rate of average six months KIBOR plus 4 percent (to be set at the start of each quarter). The facility is secured by way of hypothecation of fixed assets of the Bank and demand promissory notes and is repayable by September 30, 2024 in 8 quarterly tranches of unequal amounts.		
15.3	The Bank has obtained financing facility of Rs. 16 million from United Bank Limited for purchase of new locally manufactured / assembled vehicles to be used by management at a rate of 1 Month KIBOR + 2.00% per annum. The tenor of the facility is 3 years from the date of each drawdown and repayment of principal 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 with United Bank Limited along with 1st exclusive charge against the vehicles to be registered with SECP in favor of United Bank Limited.		
		2022	2021
		Note	----- (Rupees) -----
16	OTHER LIABILITIES		
	Mark-up / return / interest payable		45,687,752
	Accrued expenses		19,311,658
	Payable to related parties	16.1	55,012,036
	Withholding tax payable		48,905,151
	Provident fund payable		2,796,208
	Payable to employee old age benefit institution		9,205,361
	Current taxation (provisions less payments)		5,553,530
	Lease liability against right-of-use assets	16.2	1,743,027
	Others		832,372
			57,175
			300,508
			-
			962,909
			190,495,686
			122,135,710
			-
			400
		<u>304,997,245</u>	<u>241,640,429</u>

16.1 This represents amounts of Rs. 2,789 million (December 31, 2021: Rs 2.789 million) and Rs. 0.632 million (December 31, 2021: Rs. 0.632 million) payable to Advans S.A. Sicar - Holding Company and FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands respectively.

16.2 Lease liability against right-of-use assets

Lease liability as at January 01,	122,135,710	75,898,160
Additions during the year	110,090,941	60,711,856
Accretion of interest	24,863,541	12,419,830
Payment of lease liability during the year	(66,630,506)	(26,894,136)
Lease liability as at December 31,	<u>190,459,686</u>	<u>122,135,710</u>

17 SHARE CAPITAL

17.1 Authorised capital

2022	2021		2022	2021
Number of shares				
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs 10 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>

Note ----- (Number of shares) -----

17.2 Issued, subscribed and paid-up share capital

2022	2021		2022	2021
Number of shares				
<u>172,516,310</u>	<u>172,516,310</u>	Ordinary shares of Rs 10 each fully paid in	<u>1,725,163,100</u>	<u>1,725,163,100</u>

17.2.1 Share capital has been subscribed by the following:

----- (Number of shares) -----

Advans S.A. Sicar - Luxembourg	17.3	172,516,308	172,516,308
Steven Duchatelle - Director Advans Pakistan			
Microfinance Bank Limited		1	1
Claude Falgon - Chairman Advans Pakistan			
Microfinance Bank Limited		1	1
		<u>172,516,310</u>	<u>172,516,310</u>

17.2.2 Movement in issued, subscribed and paid-up share capital

	2022			2021			2022	2021
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	(Number of shares)							
Opening	172,516,310	-	172,516,310	157,516,310	-	157,516,310	1,725,163,100	1,290,163,100
Shares issued during the year	-	-	-	15,000,000	-	15,000,000	-	150,000,000
	<u>172,516,310</u>	<u>-</u>	<u>172,516,310</u>	<u>172,516,310</u>	<u>-</u>	<u>172,516,310</u>	<u>1,725,163,100</u>	<u>1,725,163,100</u>

17.3 This represents shares owned by the holding company and have been deposited in blocked account with the Central Depository Company of Pakistan Limited in terms of BPRD Circular No. 9 of 2009 and under SBP License No. MFI-012 dated June 28, 2012.

	2022	2021
	----- (Rupees) -----	
18 DEFERRED GRANT		
Opening balance	714,669	714,669
Grant received during the year from:		
State Bank of Pakistan	-	-
Grant income recognised during the year	-	-
Closing balance	<u>714,669</u>	<u>714,669</u>

18.1 This represents grant received from the State Bank of Pakistan (SBP) vide circular letter no. 4 of 2017 in respect of financial assistance. Under the circular, the grant's utilization is subject to conducting research to develop a financing product for serving the identified sectors, developing marketing and promotion material for identified sectors and, conducting awareness sessions. The Bank was entitled to receive Rs. 1.2 million out of which equal tranches of Rs. 0.6 million were received during the year ended December 31, 2018 and December 31, 2019. The Bank performed the specified activities in the year 2018 and accordingly, recognized Rs. 0.485 million as income during the year ended December 31, 2018. Thereafter, the Bank has not undertaken the specified activities as of the reporting date.

19 MEMORANDUM / OFF BALANCE SHEET ITEMS

Bills for collection	-	-
Acceptances, Endorsements And Other		
Obligations Contingent Liabilities	-	-
Commitments for fixed capital expenditure	-	-
	<u>-</u>	<u>-</u>

19.1 There were no contingencies as at December 31, 2022 and (2021: none).

	2022	2021
	----- (Rupees) -----	
20 MARK-UP / RETURN / INTEREST EARNED		
Interest / mark-up on:		
Advances	1,266,330,225	749,411,330
Government Securities - Market Treasury bills	20,391,491	12,462,693
Banks and financial institutions		
Term deposits	-	-
Deposit accounts	19,078,048	13,096,639
	<u>1,305,799,764</u>	<u>774,970,662</u>
21 MARK-UP / RETURN / INTEREST EXPENSED		
Interest / mark-up on deposits	390,258,924	171,549,647
Interest / mark-up on borrowing	40,356,184	13,012,397
	<u>430,615,108</u>	<u>184,562,044</u>
22 FEE, COMMISSION AND BROKERAGE INCOME		
Loan processing fee	157,907,302	100,965,514
Other fee and commission	7,674,088	9,966,080
	<u>165,581,390</u>	<u>110,931,594</u>
23 OTHER INCOME		
Recoveries against write-offs	24,497,215	21,189,641
Recoveries from Credit Guarantee Scheme	323,915	3,779,800
Liabilities no longer required written back	2,843,312	5,703,306
Gain on disposal of operating fixed assets	-	568,938
Others	1,322,676	73,596
	<u>28,987,118</u>	<u>31,315,281</u>

24	ADMINISTRATIVE EXPENSES	Note	2022 ----- (Rupees) -----	2021 -----
	Salaries and other allowances	24.1	445,275,742	291,763,703
	Staff welfare		7,852,804	3,251,369
	Non executive directors' fees, allowances and other expenses		1,199,999	900,000
	Training and business development		2,467,557	3,901,415
	Rent, rates and taxes	24.2	20,782,623	11,215,625
	Legal and professional charges		8,453,743	7,888,888
	Utilities		29,145,919	15,979,472
	Communications		24,148,415	13,127,612
	Repairs and maintenance - others		32,872,240	19,685,036
	Repairs and maintenance - Vehicles		24,196,137	14,647,427
	Financial charges on lease liability against right-of-use asset		24,034,987	12,419,830
	Fuel for generator		29,744,709	11,178,410
	Insurance		24,674,509	13,231,778
	Travelling and conveyance		48,387,283	14,029,613
	Printing and stationery		10,762,764	7,341,686
	Fees and subscription		12,516,178	14,403,185
	Technical assistance fee	24.3	-	39,450,356
	Security charges		26,952,067	14,826,800
	Advertisement and publicity		13,731,816	10,611,788
	Auditors' remuneration	24.4	3,094,251	2,857,376
	Depreciation	11.2	47,721,091	28,605,706
	Depreciation of Right-of-use-asset	11.2	45,583,628	24,477,194
	Amortisation of intangible assets	11.3	1,480,793	1,704,286
	Bank charges		4,026,082	3,703,703
	Office supplies		163,741	68,284
	Janitorial charges		11,139,397	7,300,377
	Other expenses		9,089,535	11,953,584
			<u>909,498,011</u>	<u>600,524,503</u>

24.1 This includes amount of Rs. 8.726 million (2021: Rs. 6.035 million) in respect of staff retirement benefit.

24.2 This represents amount paid against rent fees for the Bank's executives.

24.3 This represented amount of Rs. nil (2021: 39.450 million) payable to Advans International - related party, for providing support and maintenance services to the Bank related to the use of management information system (Orbit).

	2022	2021
Note	(Rupees)	
24.4 Auditors' remuneration		
Audit fee	1,567,501	1,567,501
Half-yearly review fee	770,000	770,000
Fee for other certifications	200,000	200,000
	2,537,501	2,537,501
Sindh sales tax	203,000	203,000
Out of pocket expenses	353,750	116,875
	<u>3,094,251</u>	<u>2,857,376</u>

25 OTHER OPERATING EXPENSES / OTHER CHARGES

Exchange loss	-	1,391,628
Loss on disposal of operating fixed assets	1,069,859	-
Penalties imposed by State Bank of Pakistan	25.1 100,000	100,000
	<u>1,169,859</u>	<u>1,491,628</u>

25.1 This represents penalty imposed by the State Bank of Pakistan on account of issuance of unauthenticated and unprocessed banknotes to Public / Bank Branches.

26 TAXATION

For the year		
Current	26.1 18,754,603	11,791,858
Prior	362,721	-
Deferred	26.2 (13,974,577)	(9,277,101)
	<u>5,142,747</u>	<u>2,514,757</u>

26.1 The current tax provision represents the minimum tax on turnover for the year under section 113 of the Income Tax Ordinance, 2001. Hence, the numerical reconciliation between tax expense and accounting loss has not been presented in these financial statements.

26.2 Deferred tax debit balance represents benefit of tax losses relating to prior years which relate to unabsorbed depreciation and amortisation and can be carried forward for an indefinite period.

27 (LOSS) / EARNINGS PER SHARE

27.1 Basic

(Loss) / earnings for the year	Rupees	<u>(102,868,949)</u>	<u>53,885,145</u>
Weighted average number of ordinary sha	Number	<u>172,516,310</u>	<u>168,488,913</u>
(Loss) / earnings per share	Rupee	<u>(0.60)</u>	<u>0.32</u>

27.2 Diluted

No figure for diluted earnings / (loss) per share has been presented as the Bank has not issued any convertible instruments which would have an impact on basic earnings / (loss) per share.

28 NUMBER OF EMPLOYEES

	2022			2021		
	Credit / Sales staff	Banking / Support staff	Total	Credit / Sales staff	Banking / Support staff	Total
	(Number)					
Permanent	87	231	318	88	189	277
Contractual	229	12	241	128	4	132
	<u>316</u>	<u>243</u>	<u>559</u>	<u>216</u>	<u>193</u>	<u>409</u>

28.1 Average number of employees during the year were 483 (2021: 221).

29 NUMBER OF BRANCHES

	2022		2021	
	Branches	Service Centre	Branches	Service Centre
At the beginning of the year	14	-	13	-
Add: Opened during the year	<u>5</u>	<u>-</u>	<u>1</u>	<u>-</u>
At the end of the year	<u>19</u>	<u>-</u>	<u>14</u>	<u>-</u>

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits to the Chief Executive, Directors and Executives are as follows:

Chief Executive		Directors		Executives	
2022	2021	2022	2021	2022	2021

(Rupees)

Fee for meetings	-	-	-	900,000	-	-
Managerial remuneration	18,011,374	16,259,310	-	-	80,323,746	49,708,483
Contribution to defined contribution plan	-	-	-	-	6,540,172	4,149,641
Rent and house maintenance	-	10,130,899	-	-	34,715,028	23,228,409
Special allowance	-	-	-	-	13,915,038	8,248,188
Utilities	1,801,139	2,809,486	-	-	15,394,846	9,506,067
Medical	1,801,119	1,625,856	-	-	8,035,272	4,970,824
Conveyance allowance	-	-	-	-	351,400	-
Other benefits	13,833,295	12,342,116	-	-	39,838,327	28,186,621
	<u>35,446,927</u>	<u>43,167,667</u>	<u>-</u>	<u>900,000</u>	<u>199,113,829</u>	<u>127,998,233</u>
Number of persons during the year	1	1	2	2	171	92

30.1 The Chief Executive Officer (CEO) and head of departments are provided with free use of Bank's maintained car.

31 RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the holding company, associates, group companies, directors, key management personnel and their close family members. Transactions with related parties are carried out as per agreed terms. Significant transactions with the related parties are as follows:

Relationship with Bank	Nature of transaction	2022	2021
Associated Company			
Advans International	Payment of technical assistance fee for the year 2021	38,010,391	-
		2022	2021
	Note	----- (Rupees) -----	

32 CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP	7	327,210,799	259,926,324
Balances with other banks and microfinance banks in current and deposit accounts	8	22,819,934	267,764,609
Market treasury bills	9	146,494,991	-
		<u>496,525,724</u>	<u>527,690,933</u>

33 CAPITAL MANAGEMENT

33.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to have a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

33.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, as defined by the regulatory authorities and comparable to peers;
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

33.3 Statutory minimum capital requirement and management of capital

33.3.1 As per amendments in Prudential Regulation (R-1) issued by SBP vide BPRD Circular No. 10 of 2015 dated June 03, 2015, the minimum paid up capital requirement (MCR), free of losses, for Microfinance Banks operating at provincial level is Rs. 500 million. As of December 31, 2022, the share capital of the Bank stood at Rs. 1,725.163 million (2021: Rs. 1,725.163 million) and paid up capital of the Bank free of losses is Rs. 653.741 million. Hence, the Bank is in compliance with the aforesaid requirement.

33.3.2 At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" as required by the Prudential Regulations for Microfinance Banks / Institutions which is 15% of risk weighted assets. The calculation of capital adequacy enables the Bank to assess the long-term financial viability. As the Bank has plans to establish a wide network of branches to conduct business therefore, it is critical that the Bank is able to continuously monitor the exposure across the entire organisation.

The Bank manages its capital structure and makes adjustments to it in the light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

As at December 31, 2022, the Bank's net equity and Capital Adequacy Ratio stood at Rs. 653.741 million (2021: Rs 756.610 million) and 15.82% (2021: 26.05%) respectively against the minimum requirement of Rs. 500 million and 15% prescribed by the SBP.

34 FINANCIAL ASSETS AND LIABILITIES

		2022						
Effective yield / interest rate	Interest bearing					Non-interest bearing financial instruments	Total	
	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total			
(Rupees)								
Financial assets								
Cash and balances with SBP and NBP		-	-	-	-	-	327,210,799	327,210,799
Balances with other banks and microfinance banks	8.25% - 14.5%	163,631,516	-	-	-	163,631,516	5,683,409	169,314,925
Advances - net of provisions	28 - 49.5%	748,166,126	1,294,664,709	1,290,163,000	-	3,332,993,835	-	3,332,993,835
Other assets		-	-	-	-	-	129,919,513	129,919,513
		<u>911,797,642</u>	<u>1,294,664,709</u>	<u>1,290,163,000</u>	<u>-</u>	<u>3,496,625,351</u>	<u>462,813,721</u>	<u>3,959,439,072</u>
Financial liabilities								
Deposits and other accounts	8.5% - 21%	1,439,340,425	1,471,796,256	188,351,000	-	3,099,487,681	107,372,481	3,206,860,162
Borrowings	Kibor + 4%	62,284,266	62,284,266	185,663,514	-	310,232,046	-	310,232,046
Other liabilities		28,375,054	56,750,108	104,041,865	-	189,167,027	105,239,023	294,406,050
		<u>1,529,999,745</u>	<u>1,590,830,630</u>	<u>478,056,379</u>	<u>-</u>	<u>3,598,886,754</u>	<u>212,611,504</u>	<u>3,811,498,258</u>

		2021						
Effective yield / interest rate	Interest bearing					Non-interest bearing financial instruments	Total	
	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total			
(Rupees)								
Financial assets								
Cash and balances with SBP and NBP		-	-	-	-	-	259,926,324	259,926,324
Balances with other banks and microfinance banks	5.5% - 9.8%	258,525,450	-	-	-	258,525,450	9,239,159	267,764,609
Advances - net of provisions	28% - 49%	436,340,297	1,031,821,390	961,979,320	-	2,430,141,007	-	2,430,141,007
Other assets		-	-	-	-	-	86,277,239	86,277,239
		<u>694,865,747</u>	<u>1,031,821,390</u>	<u>961,979,320</u>	<u>-</u>	<u>2,688,666,457</u>	<u>355,442,722</u>	<u>3,044,109,179</u>
Financial liabilities								
Deposits and other accounts	8.5% - 14.5%	1,375,181,089	802,748,983	3,000,000	-	2,180,930,072	91,342,506	2,272,272,578
Borrowings	Kibor + 4%	100,000,000	-	-	-	100,000,000	-	100,000,000
Other liabilities		24,924,077	28,371,865	62,303,169	-	115,599,111	112,687,772	228,286,883
		<u>1,500,105,166</u>	<u>831,120,848</u>	<u>65,303,169</u>	<u>-</u>	<u>2,396,529,183</u>	<u>204,030,278</u>	<u>2,600,559,461</u>

34.1 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances including markup and balances with other banks. The credit risk on liquid fund is limited because the counterparties are banks with reasonably high credit rating. The credit quality of bank balances can be assessed with reference to external credit ratings as follows:

	Rating Agency	Short Term Rating	Long Term Rating
United Bank Limited	VIS	A-1+	AAA
Habib Bank Limited	VIS	A-1+	AAA
Samba Bank Limited	VIS	A-1	AA
Allied Bank Limited	PACRA	A1+	AAA
Bank of Punjab	PACRA	A1+	AA+

The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrower's credit worthiness and identify potential problem loans. The Bank follows SBP provisioning policy therefore, the provision held is considered to be adequate to cover any anticipated loss that may arise due to the default of customers.

34.2 Liquidity risk

Liquidity risk represents the risk that the Bank will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. At present the Bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

34.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risk. The Bank is not exposed to equity price risk as it does not hold any equity instruments. The exposure of the Bank to the other two risks and their management are explained below:

34.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's interest rate exposure stems mainly from its investments in Treasury Bills and balances with other banks. The Bank's interest rate exposure is low due to the short term nature of the majority of business transactions.

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit for the year and shareholders equity by Rs 5.007 million (2021: Rs 2.23 million). This analysis assumes that all other variables remain constant. This analysis is performed on the same basis as for 2021.

34.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At December 31, 2022, the Bank is not exposed to currency risk.

34.3.3 Other price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), and whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all or similar financial instruments traded in the market. However, the Bank is not currently exposed to other price risk.

34.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer / settle a liability in an orderly transaction between market participants at the measurement date.

Fair value estimation:

The Bank discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at year end, there are no financial instruments carried at fair value which require classification in the above mentioned levels.

There were no transfers between level 1 and 2 during the year.

The carrying values of all financial assets and financial liabilities reflected in the financial statements approximate their fair values as the items are short term in nature.

35 RISK MANAGEMENT FRAMEWORK

35.1 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to the customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (“VPN”) connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

35.2 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of Flood. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the Flood outbreak. In response to the impact of floods on its loan portfolio, the bank has taken steps to manage its credit risk, including restructuring loans and writing off a portion of the outstanding amount. Loan restructuring allows borrowers who have been impacted by the floods to temporarily modify the terms of their loans, such as extending the repayment period to better manage their finances. Meanwhile, the write-off of debt reflects the bank's determination that a portion of its loans will not be recoverable and should be removed from its books. By taking these actions, the bank has taken steps to manage its credit risk and protect its financial stability. These changes to the loan portfolio are reflected in the bank's financial statements in relevant notes.

35.3 Liquidity Risk Management

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

36 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	2022				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
(Rupees)					
Market rate assets					
Advances - net of provisions	3,332,993,835	83,201,432	664,964,694	1,294,664,709	1,290,163,000
Other earning assets	163,631,516	17,136,525	146,494,991	-	-
Total market rate assets	3,496,625,351	100,337,957	811,459,685	1,294,664,709	1,290,163,000
Other non-earning assets	979,919,895	342,447,448	41,911,157	76,495,661	519,065,629
Total assets	4,476,545,246	442,785,405	853,370,842	1,371,160,370	1,809,228,629
Market rate liabilities					
Deposits	3,206,860,162	753,225,512	793,487,394	1,471,796,256	188,351,000
Borrowings	310,232,046	30,380,711	31,903,555	62,284,266	185,663,514
Total market rate liabilities	3,517,092,208	783,606,223	825,390,949	1,534,080,522	374,014,514
Other non-interest bearing liabilities	304,997,245	44,733,060	60,580,700	90,871,051	108,812,434
Total liabilities	3,822,089,453	828,339,283	885,971,649	1,624,951,573	482,826,948

	2021				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
----- (Rupees) -----					
Market rate assets					
Advances - net of provisions	2,430,141,007	32,218,546	404,121,751	1,031,821,390	961,979,320
Other earning assets	258,525,450	258,525,450	-	-	-
Total market rate assets	2,688,666,457	290,743,996	404,121,751	1,031,821,390	961,979,320
Other non-earning assets	682,571,292	269,165,483	-	108,946,327	304,459,482
Total assets	3,371,237,749	559,909,479	404,121,751	1,140,767,717	1,266,438,802
Market rate liabilities					
Deposits	2,272,272,578	1,117,918,695	348,604,900	802,748,983	3,000,000
Borrowings	100,000,000	-	-	-	100,000,000
Total market rate liabilities	2,372,272,578	1,117,918,695	348,604,900	802,748,983	103,000,000
Other non-interest bearing liabilities	241,640,429	130,001,970	20,963,425	28,371,865	62,303,169
Total liabilities	2,613,913,007	1,247,920,665	369,568,325	831,120,848	165,303,169

37 CORRESPONDING FIGURES

Certain prior year figures have been reclassified for better presentation. Following reclassification has been made during the year.

Description	Reclassified from	Reclassified to	2021 -- (Rupees) --
Advances to suppliers and contractors	Capital work in progress	Other assets	3,558,851

38 GENERAL

38.1 As prescribed by BSD circular No. 11, dated December 30, 2003, except for the captions of the balance sheet and profit and loss account, cash flow statement and statement of changes in equity, captions in respect of which there are no amounts have not been reproduced in these financial statements.

38.2 Figures have been rounded off to the nearest rupee unless otherwise specified.

39 DATE OF AUTHORISATION

These financial statements were authorised for issue on March 06, 2023 by the Board of Directors of the Bank.



Guillaume Valence (Mar 6, 2023 20:44 GMT+5)

Chief Executive Officer



Chairman



Director



Director